

SWELLENDAM

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2019

SWELLENDAM MUNICIPALITY

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SWELLENDAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

SWELLENDAM Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The SWELLENDAM Municipality includes the following areas:

Swellendam
Barrydale
Suurbraak
Buffeljagrsivier
Malagas
Infanta

EXECUTIVE MAYOR

Mr NG Myburgh

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor	Mr NG Myburgh
Deputy Executive Mayor	Mr AM Pokwas
Executive Councillor	Ms EJ Lambrecht
Executive Councillor	Mr HF du Rand

MUNICIPAL MANAGER

AM GROENEWALD

CHIEF FINANCIAL OFFICER

H. SCHLEBUSCH

REGISTERED OFFICE

49 Voortrek Street
Swellendam
6740

AUDITORS

Office of the Auditor-General (Western Cape)

PRINCIPLE BANKERS

ABSA Bank , Swellendam

SWELLENDAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

ATTORNEYS

Powell, Kelly, Veldman PO Box 18, Swellendam

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD

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4
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Proportional
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

Cllr J. Lambrecht
Cllr J.C Nortje
Cllr M.G.du Plessis
Cllr H.F.du Rand
Cllr G.Libazi
Cllr J.A. Matthysen
Cllr N.G Myburgh
Cllr A.M. Pokwas
Cllr B.O.Sonqwenqwe
Cllr J.C.M.J Koch
Cllr M.T.Swart

SWELLENDAM MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 1 to 94 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

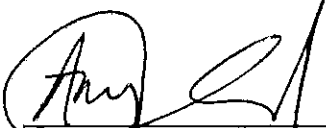
I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.


AM GROENEWALD
Municipal Manager

30.8.2019
Date

SWELLENDAM MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R	2018 R
ASSETS			
Non-Current Assets		331 902 431	330 605 132
Property, Plant and Equipment	2	311 970 523	310 092 973
Investment Property	3	17 189 943	17 087 260
Intangible Assets	4	505 534	434 709
Heritage Assets	5	170 979	170 979
Capitalised Restoration Cost	6	2 038 521	2 789 339
Operating Lease Asset	7.2	26 931	29 872
Current Assets		101 820 993	88 270 066
Inventory	8	3 558 693	3 639 035
Receivables from Exchange Transactions	9	9 112 518	8 129 003
Receivables from Non-exchange Transactions	10	11 621 607	9 474 539
Operating Lease Asset	7.2	3 373	7 939
Taxes	20	2 579 641	1 623 569
Cash and Cash Equivalents	11	74 945 161	65 395 980
Total Assets		433 723 424	418 875 197
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		100 165 621	103 626 979
Long-term Borrowings	12	28 522 545	31 939 491
Non-current Provisions	13	40 996 574	37 628 406
Employee Benefits	14	30 650 680	34 059 082
Operating Lease Liability	7.1	(4 178)	-
Current Liabilities		48 074 067	43 839 148
Consumer Deposits	15	2 513 965	2 244 804
Current Employee Benefits	17	10 674 559	9 690 105
Trade and Other Payables from Exchange Transactions	18	24 348 200	23 544 309
Unspent Transfers and Subsidies	19	7 115 532	5 281 618
Current Portion of Long-term Borrowings	12	3 413 534	3 078 312
Operating Lease Liability	7.1	8 276	-
Total Liabilities		148 239 688	147 466 127
Net Assets		285 483 736	271 409 072
Capital Replacement Reserve	21	11 000 000	10 000 000
Housing Development Fund	21	394 862	2 109 031
Accumulated Surplus/(Deficit)		274 088 874	259 300 042
Total Net Assets and Liabilities		433 723 424	418 875 198

SWELLENDAM MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		R	R
REVENUE			
Revenue from Non-exchange Transactions		133 215 836	130 772 636
Taxation Revenue		37 492 151	35 122 006
Property Taxes	22	37 492 151	35 122 006
Transfer Revenue		53 209 904	57 809 738
Government Grants and Subsidies-Capital	23	13 349 628	17 491 166
Government Grants and Subsidies-Operating	23	39 859 323	40 287 116
Contributed Property, Plant and Equipment	24	953	31 456
Other Revenue		42 513 781	37 840 892
Fines, Penalties and Forfeits		42 355 508	37 583 124
Interest Earned - Non-exchange Transactions		158 273	257 768
Revenue from Exchange Transactions		126 346 418	116 886 705
Service Charges	26	113 113 934	104 716 495
Sales of Goods and Rendering of Services	27	2 838 363	2 902 010
Rental from Fixed Assets	28	742 100	672 730
Interest Earned - External Investments	29	5 032 794	4 183 787
Interest Earned - Exchange Transactions	30	832 814	993 650
Licences and Permits	25	1 450 975	1 269 872
Agency Services		2 102 191	1 854 081
Operational Revenue	31	233 247	294 081
Total Revenue		259 562 254	247 659 340
EXPENDITURE			
Employee related costs	32	85 603 555	81 911 848
Remuneration of Councillors	33	5 103 259	4 954 221
Bad Debts Written Off		900 987	4 339 215
Contracted Services	34	14 157 014	17 586 120
Depreciation and Amortisation	35	8 567 045	7 612 545
Finance Costs	36	6 904 677	6 635 766
Bulk Purchases	37	55 675 625	51 602 061
Inventory Consumed	8	19 531 184	17 469 790
Operating Leases		132 005	48 305
Transfers and Subsidies	38	1 699 908	1 296 595
Operational Cost	39	12 799 996	13 184 200
Total Expenditure		211 075 254	206 640 667
Operating Surplus/(Deficit) for the Year		48 487 000	41 018 673
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8	(1 776)	(1 066 198)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	40	(28 728 258)	(30 432 477)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	42	(5 701 436)	-
(Gains/Loss) on Sale of Fixed Assets	41	19 130	(344 721)
NET SURPLUS/(DEFICIT) FOR THE YEAR		14 074 660	9 175 277

SWELLENDAM MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 July 2017	10 000 000	3 669 067	246 944 981	260 614 048
Correction of Error - note 44	-	-	1 619 750	1 619 750
Restated balance 2017	10 000 000	3 669 067	248 564 731	262 233 798
Net Surplus/(Deficit) for the year	-	-	9 175 277	9 175 277
Transfer to/from CRR	3 827 583	-	(3 827 583)	-
Property, Plant and Equipment purchased	(3 827 583)	-	3 827 583	-
Transfer to Housing Development Fund		(1 560 037)	1 560 037	-
Restated balance 2018	10 000 000	2 109 030	259 300 045	271 409 075
Net Surplus/(Deficit) for the year	-	-	14 074 660	14 074 660
Transfer to/from CRR	1 000 000	-	(1 000 000)	-
Transfer to Housing Development Fund		(1 714 169)	1 714 169	-
Balance at 30 June 2019	11 000 000	394 861	274 088 874	285 483 735

SWELLENDAM MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		227 683 415	214 437 441
Taxation		37 492 151	35 122 006
Service Charges		113 113 934	104 716 495
Other Revenue		16 159 060	17 464 652
Government Grants		55 052 661	51 956 852
Interest		5 865 608	5 177 437
Cash payments		199 773 037	188 520 208
Suppliers and Employees		191 168 453	180 587 847
Finance Charges		6 904 677	6 635 766
Transfers and Grants		1 699 908	1 296 595
Net Cash from Operating Activities	45	27 910 377	25 917 233
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(15 705 590)	(19 035 944)
Proceeds on Disposal of Fixed Assets		312 700	117 323
Purchase of Intangible Assets		(155 744)	(72 531)
Additions to Capitalized Restoration Cost		-	(349 733)
Net Cash from Investing Activities		(15 548 634)	(19 340 885)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Consumer Deposits		269 161	243 546
Repayment of Borrowing		(3 081 724)	(2 214 897)
Net Cash from Financing Activities		(2 812 563)	(1 971 351)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9 549 180	4 604 995
Cash and Cash Equivalents at the beginning of the year		65 395 980	60 790 985
Cash and Cash Equivalents at the end of the year	46	74 945 161	65 395 980
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9 549 181	4 604 995

SWELLENDAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2019 R	%
ASSETS									
Current Assets									
		37 964 000	7 155 000	45 119 000			45 119 000	74 945 161	66.11%
		8 653 000	7 437 000	16 090 000			16 090 000	9 112 518	-43.37%
		21 207 000	(17 365 000)	3 842 000			3 842 000	14 204 621	269.72%
		12 240 000	(1 287 000)	10 953 000			10 953 000	3 558 693	-67.51%
Total Current Assets	49.2.1	80 064 000	(4 060 000)	76 004 000	-	-	76 004 000	101 820 993	33.97%
Non-Current Assets									
		24 470 000	514 000	24 984 000			24 984 000	17 189 943	-31.20%
		293 527 000	13 069 000	306 596 000			306 596 000	314 009 044	2.42%
		509 000	153 000	662 000			662 000	505 534	-23.64%
		2 324 000	350 000	2 674 000			2 674 000	197 910	-92.60%
Total Non-Current Assets	49.2.2	320 830 000	14 086 000	334 916 000	-	-	334 916 000	331 902 431	-0.90%
TOTAL ASSETS		400 894 000	10 026 000	410 920 000	-	-	410 920 000	433 723 424	5.55%
LIABILITIES									
Current Liabilities									
		1 855 000	762 000	2 617 000			2 617 000	3 413 534	30.44%
		1 632 000	792 000	2 424 000			2 424 000	2 513 965	3.71%
		35 556 000	(10 435 000)	25 121 000			25 121 000	31 463 733	25.25%
		26 501 000	953 000	27 454 000			27 454 000	10 674 559	-61.12%
		-	-	-			-	8 276	100.00%
Total Current Liabilities	49.2.3	65 544 000	(7 928 000)	57 616 000	-	-	57 616 000	48 074 067	-16.56%
Non-Current Liabilities									
		23 833 000	4 529 000	28 362 000			28 362 000	28 522 545	0.57%
		61 387 000	(4 692 000)	56 695 000			56 695 000	71 647 254	26.37%
		-	-	-			-	(4 178)	100.00%
Total Non-Current Liabilities	49.2.4	85 220 000	(163 000)	85 057 000	-	-	85 057 000	100 165 621	17.76%
TOTAL LIABILITIES		150 764 000	(8 091 000)	142 673 000	-	-	142 673 000	148 239 688	3.90%
NET ASSETS									
		245 930 000	19 677 000	265 607 000			265 607 000	274 088 874	3.19%
		4 200 000	(1 560 000)	2 640 000			2 640 000	11 394 862	331.62%
TOTAL NET ASSETS	49.2.5	250 130 000	18 117 000	268 247 000	-	-	268 247 000	285 483 736	6.43%

SWELLEN DAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2019 R	%
REVENUE									
	Property Rates	36 256 000	1 000 000	37 256 000			37 256 485	37 492 151	0.63%
	Service Charges - Electricity Revenue	78 293 000	(2 387 000)	75 906 000			75 905 623	74 869 738	-1.36%
	Service Charges - Water Revenue	17 285 000	(493 000)	16 792 000			16 792 278	15 395 107	-8.32%
	Service Charges - Sanitation Revenue	14 144 000	54 000	14 198 000			14 198 184	14 335 097	0.96%
	Service Charges - Refuse Revenue	8 461 000	300 000	8 761 000			8 761 144	8 513 993	-2.82%
	Rental of Facilities and Equipment	525 000	148 000	673 000			673 485	742 100	10.19%
	Interest Earned - External Investments	3 366 000	1 534 000	4 900 000			4 900 000	5 032 794	2.71%
	Interest Earned - Outstanding Debtors	1 196 000	(225 000)	971 000			971 346	991 086	2.03%
	Fines	28 052 000	16 121 000	44 173 000			44 173 333	41 025 108	-7.13%
	Licences and Permits	857 000	568 000	1 425 000			1 424 721	1 450 975	1.84%
	Agency Services	1 540 000	445 000	1 985 000			1 985 000	2 102 191	5.90%
	Transfers Recognised - Operational	49 878 000	867 000	50 745 000			50 745 066	39 859 323	-21.45%
	Other Revenue	3 490 000	755 000	4 245 000			4 245 400	4 402 010	3.69%
	Gains on Disposal of PPE	1 000 000	(500 000)	500 000		-	500 000	285 600	-42.88%
Total Revenue (excluding capital transfers and contributions)									
	49.2.6	244 343 000	18 187 000	262 530 000	-	-	262 532 065	246 497 274	-6.11%
EXPENDITURE									
	Employee related costs	97 789 000	2 202 000	99 991 000			99 990 597	85 603 555	-14.39%
	Remuneration of Councillors	5 228 000	-	5 228 000			5 228 087	5 103 259	-2.39%
	Debt Impairment	21 040 000	16 410 000	37 450 000			37 450 490	29 629 245	-20.88%
	Depreciation and Asset Impairment	10 825 000	(2 344 000)	8 481 000			8 480 806	8 567 045	1.02%
	Finance Charges	5 390 000	1 382 000	6 772 000			6 771 650	6 904 677	1.96%
	Bulk Purchases	57 319 000	629 000	57 948 000			57 947 985	55 675 625	-3.92%
	Other Materials	21 117 000	884 000	22 001 000			22 001 263	19 797 654	-10.02%
	Contracted Services	19 175 000	6 047 000	25 222 000			25 221 716	14 157 014	-43.87%
	Transfers and Grants	2 372 000	110 000	2 482 000			2 482 000	1 699 908	-31.51%
	Other Expenditure	24 500 000	(9 027 000)	15 473 000			15 472 987	18 635 213	20.44%
Total Expenditure									
	49.2.7	264 755 000	16 293 000	281 048 000	-	-	281 047 581	245 773 195	-12.55%
Surplus/(Deficit)									
		(20 412 000)	1 894 000	(18 518 000)	-		(18 515 516)	724 078	-103.91%
	Transfers Recognised - Capital	11 475 000	5 359 000	16 834 000			16 834 260	13 349 628	-20.70%
	Contributions Recognised - Capital	-	-	-			-	-	
	Contributed Assets	-	-	-			-	953	
Surplus/(Deficit) for the year									
		(8 937 000)	7 253 000	(1 684 000)	-	-	(1 681 256)	14 074 659	1

SWELLENDAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2019 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Taxation	35 531 000	980 000	36 511 000			36 511 000	37 492 151	2.69%
	Service Charges	115 819 000	(1 801 000)	114 018 000			114 018 000	113 113 934	-0.79%
	Other Revenue	12 022 000	4 747 000	16 769 000			16 769 000	16 159 060	-3.64%
	Government - Operating	49 878 000	167 000	50 045 000			50 045 000	41 642 638	-16.79%
	Government - Capital	11 475 000	913 000	12 388 000			12 388 000	13 410 023	8.25%
	Interest	4 538 000	1 333 000	5 871 000			5 871 000	5 865 608	-0.09%
Payments									
	Suppliers and Employees	(210 432 000)	(14 511 000)	(224 943 000)			(224 943 000)	(191 168 453)	-15.01%
	Finance costs	(5 038 000)	1 038 000	(4 000 000)			(4 000 000)	(6 904 677)	72.62%
	Transfers and Grants	(2 372 000)	(110 000)	(2 482 000)			(2 482 000)	(1 699 908)	-31.51%
Net Cash from/(used) Operating Activities	61.2.8	11 421 000	(7 244 000)	4 177 000	-	-	4 177 000	27 910 377	568.19%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	1 000 000	(500 000)	500 000			500 000	312 700	-37.46%
Payments									
	Capital Assets	(16 975 000)	(4 120 000)	(21 095 000)			(21 095 000)	(15 861 334)	-24.81%
Net Cash from/(used) Investing Activities	61.2.9	(15 975 000)	(4 620 000)	(20 595 000)	-	-	(20 595 000)	(15 548 634)	-24.50%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Increase/(Decrease) in Consumer Deposits	92 000	88 000	180 000			180 000	269 161	49.53%
Payments									
	Repayment of Borrowing	(4 744 000)	705 000	(4 039 000)			(4 039 000)	(3 081 724)	-23.70%
Net Cash from/(used) Financing Activities	61.2.10	(4 652 000)	793 000	(3 859 000)	-	-	(3 859 000)	(2 812 563)	-27.12%
NET INCREASE/(DECREASE) IN CASH HELD									
	Cash and Cash Equivalents at the year begin:	47 168 000	18 228 000	65 396 000			65 396 000	65 395 980	0.00%
	Cash and Cash Equivalents at the year end:	37 962 000	7 157 000	45 119 000	-	-	45 119 000	74 945 160	66.11%

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year. The implementation date of GRAP 18 is 1 April 2020

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 34 (Revised – April 2019)	<p><u>Separate Financial Statements</u></p> <p><u>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</u></p> <p><u>No significant impact expected as no such transactions or events are expected in the foreseeable future</u></p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<p>GRAP 35 (Revised – April 2019)</p>	<p><u>Consolidated Financial Statements</u> <u>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</u></p> <p><u>No significant impact expected as no such transactions or events are expected in the foreseeable future.</u></p>	<p align="center">Unknown</p>
<p>GRAP 36 (Revised – April 2019)</p>	<p><u>Investments in Associates and Joint Ventures</u> <u>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</u></p> <p><u>No significant impact expected as no such transactions or events are expected in the foreseeable future.</u></p>	<p align="center">Unknown</p>
<p>GRAP 37 (Revised – April 2019)</p>	<p><u>Joint Arrangements</u> <u>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</u></p> <p><u>No significant impact expected as no such transactions or events are expected in the foreseeable future.</u></p>	<p align="center">Unknown</p>
<p>GRAP 38 (Revised - April 2019)</p>	<p><u>Disclosure of Interest in Other Entities</u> <u>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</u> <u>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</u> <u>b) the effects of those interests on its financial position, financial performance and cash flows.</u></p>	<p align="center">Unknown</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	<u>No significant impact expected as no such transactions or events are expected in the foreseeable future.</u>	
IGRAP 17	<p><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 104 (Revised – April 2019)	<p><u>Financial Instruments</u></p> <p><u>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</u></p> <p><u>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</u></p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy</p>	1 April 2019
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GRAP 110	<p>Living and non-living resources</p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 18	<p>Recognition and Derecognition of Land</p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.</p>	1 April 2019
IGRAP 19	<p>Liabilities to Pay Levies</p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development

Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these

plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.14.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14.7 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

1.15. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives: (indicated in years)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Intangible assets	Software	5 - 10
Investment property	Land	0
Investment property	Buildings	100
Property Plant and Equipment		
Infrastructure assets	Electrical Infrastructure -In-use -LV Networks	30 - 60
Infrastructure assets	Electrical Infrastructure -In-use -MV Networks	45 - 61
Infrastructure assets	Electrical Infrastructure -In-use -MV Substations -Cost	20 - 60
Infrastructure assets	Roads Infrastructure	15 - 80
Infrastructure assets	Sanitation Infrastructure	12 - 100
Infrastructure assets	Solid Waste Infrastructure	15 - 52
Infrastructure assets	Storm water Infrastructure	25 - 100
Infrastructure assets	Water Supply Infrastructure -Dams and Weirs	30 - 100
Infrastructure assets	Water Supply Infrastructure -Distribution	0 - 100
Infrastructure assets	Supply Infrastructure -Pump Stations	12 - 80
Infrastructure assets	Water Supply Infrastructure -Reservoirs	15 - 80
Infrastructure assets	Water Supply Infrastructure -Water Treatment Works (WTV	8 - 80
Infrastructure assets	Water Supply Infrastructure - Bulk Mains	60 - 80
Leased Assets	Furniture and office equipment	3 - 8
Community Assets		0 - 100
Libraries		0 - 100
Other Assets		0 - 100
Computer Equipment		3 - 26
Furniture and Office Equipment		4 - 35
Information and Communication Infrastructure		17 - 24
Machinery and Equipment		2 - 30
Transport Assets		9 - 40

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used

in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.19.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to
 - dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or

CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

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- A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in

net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For

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the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put

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option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying

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amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be

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considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

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Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

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- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
 - arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

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The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

-
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is

accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.31.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates

and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.31.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.31.3 Property, Plant and Equipment

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.31.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.31.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.31.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.31.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

1.31.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. EVENTS AFTER REPORTING DATE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.35. TAXATION

1.35.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.35.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.35.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2019

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads	64 463 274	-	1 464 989	1 529 585	-	67 457 848	10 207 142	-	1 378 056		-	11 585 198	55 872 650
Storm Water	34 010 993	-	1 511 995	1 617 410	-	37 140 398	4 366 284	-	660 400		-	5 026 684	32 113 715
Electricity	32 503 574	-	2 214 732	1 837 723	-	36 556 029	9 344 302	-	691 611		-	10 035 913	26 520 116
Water Supply	52 243 186	-	5 874 037	2 041 941	-	60 159 164	9 683 675	-	1 085 864		-	10 769 539	49 389 625
Sanitation	84 844 988	-	484 241	-	-	85 329 229	14 135 394	-	1 755 648		-	15 891 042	69 438 187
Solid Waste	232 461	-	-	-	-	232 461	143 556	-	7 426		-	150 982	81 479
Information and Communication	148 120	-	-	(148 120)	-	0	140 315			(140 315)	-	(0)	1
Work in progress	9 928 423	-	1 244 961	(7 026 660)	-	4 146 724	-	-	-	-	-	-	4 146 724
	278 375 020	-	12 794 955	(148 120)	-	291 021 854	48 020 668	-	5 579 005	(140 315)	-	53 459 358	237 562 496
Community Assets													
Community Assets	33 992 549	-	281 338	4 877 792	-	39 151 679	3 398 632	-	253 805		76 202	3 728 639	35 423 040
Work in progress	662 925	-	-	(662 925)	-	0	-	-	-	-	-	-	0
	34 655 474	-	281 338	4 214 867	-	39 151 679	3 398 632	-	253 805	-	76 202	3 728 639	35 423 040

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.2 30 JUNE 2018

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads	64 366 058	-	97 216	-	-	64 463 274	8 878 607	-	1 328 536	-	-	10 207 142	54 256 132
Storm Water	33 887 061	-	123 932	-	-	34 010 993	3 744 897	-	621 387	-	-	4 366 284	29 644 710
Electricity	31 356 472	-	291 419	855 683	-	32 503 574	8 671 816	-	672 486	-	-	9 344 302	23 159 272
Water Supply	43 879 543	-	4 736 988	3 626 655	-	52 243 186	8 783 703	-	899 972	-	-	9 683 675	42 559 511
Sanitation	84 529 341	-	512 415	43 232	(240 000)	84 844 988	12 425 065	-	1 731 367	-	(21 038)	14 135 394	70 709 594
Solid Waste	227 109	-	5 352	-	-	232 461	136 275	-	7 281	-	-	143 556	88 905
Information and Communication	148 120	-	-	-	-	148 120	139 181	-	1 134	-	-	140 315	7 806
Work in progress	7 340 911	-	7 113 083	(4 525 571)	-	9 928 423	-	-	-	-	-	-	9 928 423
	265 734 615	-	12 880 405	(0)	(240 000)	278 375 020	42 779 543	-	5 262 163	-	(21 038)	48 020 668	230 354 352
Community Assets													
Community Assets	20 706 986	6 979 989	3 706 797	2 598 778	-	33 992 549	2 230 019	978 515	189 668	429	-	3 398 632	30 593 917
Work in progress	2 532 936	-	656 775	(2 526 786)	-	662 925	-	-	-	-	-	-	662 925
	23 239 922	6 979 989	4 363 572	71 992	-	34 655 474	2 230 019	978 515	189 668	429	-	3 398 632	31 256 842

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT[See previous sheet](#) page 1

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	2019 R	2018 R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	4 146 724	7 026 661
Roads	-	3 146 996
Electricity	-	1 825 304
Water Supply	252 570	2 054 361
Sanitation	3 894 154	-
Community Assets	-	662 925
Other Assets	-	-
Total Property, Plant and Equipment under construction	4 146 724	7 689 586
	2019	2018
2.4 Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets	769 642	2 901 762
Sanitation	769 642	2 901 762
Community Assets	-	-
Other Assets	-	-
Total	769 642	2 901 762
Upgrading of Barrydale Waste Water Treatment Works is halted due to counter funding is deemed to be too high		
	2019 R	2018 R
2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	32 075	9 729
Other materials	6 382 090	6 063 521
Contracted Services	9 126 133	9 436 809
Other Expenditure	-	-
Total Repairs and Maintenance	15 540 298	15 510 059
	2019 R	2018 R
2.7 Assets pledged as security:		
Carrying value of Leased Property, Plant and Equipment secured for leases as set out in Note 12 .	1 111 424	1 693 310
	2019 R	2018 R
2.8 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	10 699	-
Carrying value of assets written off/lost	7 531	454 545
Surplus/(Deficit)	3 169	(454 545)
	2019 R	2018 R
2.9 Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Infrastructure	-	-
Community Assets	76 202	-
Other	5 771 396	-
Total Impairment Losses	5 847 598	-
	2019	2018

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	R	R
2.10 Reversal of Impairment losses of Property, Plant and Equipment		
Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:		
Infrastructure	-	-
Community Assets	-	-
Other	1 425 271	-
Total Reversal of Impairment losses	1 425 271	-
2.11 Effect of changes in accounting estimates		
During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.		
The effect on the current and future periods are as follow :		
	2018/19 R	2019/20 R
Effect on Property, plant and equipment	(37 542)	(73 100)
		2018 R
2.12 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	7 559 829	15 376 077
Infrastructure	7 559 829	15 040 632
Community	-	335 445
Other	-	-
Total	7 559 829	15 376 077
	2019 R	2018 R
This expenditure will be financed from:		
External Loans	-	-
Capital Replacement Reserve	793 248	-
Government Grants	6 766 582	15 040 631
Own Resources	-	335 445
District Council Grants	-	-
Total	7 559 829	15 376 076
	2019 R	2018 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	17 087 261	25 211 325
Cost	20 587 999	34 928 614
Accumulated Depreciation	(795 473)	(700 300)
Accumulated Impairment Loss	(2 705 265)	(9 016 989)
Transfer from/(to) Property, Plant and Equipment - Note 2	-	(8 008 892)
Cost	-	(14 318 617)
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	6 309 725
Transfer from/(to) Inventory - Note 8	-	-
Cost	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Disposals	(9 962)	(20 000)
Cost	(9 962)	(22 000)
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	2 000
Additions	-	-
Depreciation for the year	(92 332)	(95 173)
Impairment loss	(374 651)	-
Reversal of Impairment loss	579 628	-
Net Carrying amount at 30 June	17 189 943	17 087 260
Cost/Valuation	20 578 037	20 587 999
Accumulated Depreciation	(887 806)	(795 473)
Accumulated Impairment Loss	(2 500 288)	(2 705 265)
	2019 R	2018 R
3.2 Revenue from Investment Property		

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue derived from the rental of Investment Property	8 504	14 320
	2019	2018
	R	R

3.3 Operating Expenditure incurred on properties:

Repairs and Maintenance

Revenue Generating	-	1 589
Improved Property	-	1 589
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Repairs and Maintenance	-	1 589

Other Operating Expenditure

Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Other Operating Expenditure	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	2019	2018
	R	R
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	434 709	424 984
Cost	958 450	885 919
Accumulated Amortisation	(523 741)	(460 935)
Accumulated Impairment Loss	-	-
Additions	155 744	72 531
Amortisation	(71 367)	(62 806)
Disposals	(13 552)	-
Transfers	-	-
Amortisation written back on disposal	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	505 534	434 709
Cost	1 100 642	958 450
Accumulated Amortisation	(595 108)	(523 741)
Accumulated Impairment Loss	-	-

4.2 Effect of changes in accounting estimates

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.
The effect on the current and future periods are as follow :

	2018/19	2019/20	2020/21
	R	R	R
Effect on Intangible Assets	-376.30	-18.97	397.57

4.3 Material Intangible Assets included in the carrying value:

<u>Description</u>	<u>Remaining</u> <u>Amortisation</u> <u>Period</u>		
Microsoft Office and Windows software	5-10 years	505 534	434 709

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

	2019 R	2018 R
5. HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-
Additions		
Disposals		
Transfers		
Impairment Loss/ Reversal of Impairment Loss		
Net Carrying amount at 30 June	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

	2019 R	2018 R
5.2 Expenditure incurred to repair and maintain Heritage Assets:		
Employee related costs		
Other materials	-	15 954
Contracted Services	-	2 170
Other Expenditure	-	-
Total Repairs and Maintenance	-	18 124

6. CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	2 789 339	3 073 846
Cost	16 149 374	15 799 641
Accumulated Depreciation	(12 920 291)	(12 286 051)
Accumulated Impairment Loss	(439 745)	(439 745)
Additions	-	349 733
Depreciation	(750 818)	(634 241)
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	2 038 521	2 789 339
Cost	16 149 374	16 149 374
Accumulated Impairment Loss	(13 671 109)	(12 920 291)
Accumulated Impairment Loss	(439 745)	(439 745)

	2019 R	2018 R
7. OPERATING LEASE ARRANGEMENTS		
7.1 The Municipality as Lessee		
Operating Lease Liability	4 098	-
	2019 R	2018 R
Disclosed as follows:		
Non-Current Operating Lease Asset	(4 178)	-
Current Operating Lease Asset	8 276	-

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	4 098	-
	2019	2018
	R	R
Reconciliation		
Balance at the beginning of the year	-	-
Movement during the year	4 098	-
Balance at the end of the year	4 098	-

	2019	2018
	R	R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	204 898	-
1 to 5 Years	367 664	-
More than 5 Years	-	-
Total Operating Lease Arrangements	572 562	-

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which has a undetermined conditional expenditure.

7.2 The Municipality as Lessor

	2019	2018
	R	R
Operating Lease Asset	30 304	37 811
Disclosed as follows:		
Non-Current Operating Lease Liability	26 931	29 872
Current Operating Lease Liability	3 373	7 939
	30 304	37 811

	2019	2018
	R	R
Reconciliation		
Balance at the beginning of the year	37 812	38 279
Movement during the year	(7 508)	(467)
Balance at the end of the year	30 304	37 812

	2019	2018
	R	R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	32 438	91 781
1 to 5 Years	76 126	88 129
More than 5 Years	8 925	23 743
Total Operating Lease Arrangements	117 489	203 653

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
8. INVENTORY		
Consumables	3 089 097	3 055 634
Unsold Plots	415 306	527 335
Water	54 290	56 067
Total Inventory	3 558 693	3 639 035

	2019 R	2018 R
8.1 Inventories recognise as an expense during the year:		
Consumables	-	3 510 259
Unsold Plots	-	40 000
Materials and Supplies	-	13 919 532
Total	-	17 469 791

	2019 R	2018 R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	6 132 945	5 954 615
Water	5 083 334	4 348 722
Refuse	3 533 918	3 130 702
Sewerage	5 550 376	5 136 807
Rentals	257 080	254 368
Sundry Receiveables	1 898 074	1 432 088
Total billed: Receivables from exchange transactions (before provision)	22 455 726	20 257 302
Other debtors not billed	404 088	405 997
Total: Receivables from exchange transactions (before provision)	22 859 815	20 663 299
Less: Provision for Debt Impairment	(13 747 296)	(12 534 296)
Total: Receivables from exchange transactions (after provision)	9 112 518	8 129 003

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

	2019 R	2018 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	4 129 027	4 032 190
31 - 60 Days	666 230	427 015
61 - 90 Days	35 784	38 507
+ 90 Days	1 301 904	1 456 903
Total	6 132 945	5 954 615

	2019 R	2018 R
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1 266 360	1 149 162
31 - 60 Days	478 930	367 390
61 - 90 Days	136 723	126 869
+ 90 Days	3 201 321	2 705 302
Total	5 083 334	4 348 722

	2019 R	2018 R
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	797 269	749 675
31 - 60 Days	288 037	274 659
61 - 90 Days	85 991	86 307
+ 90 Days	2 362 621	2 020 061
Total	3 533 918	3 130 702

2019 2018

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Sewerage): Ageing

	R	R
Current (0 - 30 days)	1 307 962	1 254 452
31 - 60 Days	487 132	474 793
61 - 90 Days	138 672	150 503
+ 90 Days	3 616 610	3 257 059
Total	5 550 376	5 136 807

(Rentals): Ageing

	2019 R	2018 R
Current (0 - 30 days)	29 173	25 977
31 - 60 Days	16 274	11 309
61 - 90 Days	6 185	9 681
+ 90 Days	205 448	207 402
Total	257 080	254 368

(Sundry Receivables): Ageing

	2019 R	2018 R
Current (0 - 30 days)	85 787	94 231
31 - 60 Days	55 834	50 596
61 - 90 Days	37 965	31 755
+ 90 Days	1 718 488	1 255 505
Total	1 898 074	1 432 088

(Total): Ageing

	2019 R	2018 R
Current (0 - 30 days)	7 615 579	7 305 687
31 - 60 Days	1 992 437	1 605 761
61 - 90 Days	441 319	443 622
+ 90 Days	12 406 391	10 902 232
Total	22 455 726	20 257 302

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial/ Other</u>	<u>National and Provincial Government</u>
30 June 2019			
Current (0 - 30 days)	3 962 426	3 127 816	525 338
31 - 60 Days	1 481 570	414 026	96 841
61 - 90 Days	406 273	27 231	7 815
+ 90 Days	11 221 727	1 034 397	150 266
Sub-total	17 071 996	4 603 470	780 260
Less: Provision for Debt Impairment	(12 142 730)	(1 440 178)	(164 387)
Total debtors by customer classification	4 929 265	3 163 292	615 873

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial/ Other</u>	<u>National and Provincial Government</u>
30 June 2018			
Current (0 - 30 days)	3 759 210	2 953 183	473 972
31 - 60 Days	1 266 190	262 296	77 275
61 - 90 Days	396 485	37 620	9 517
+ 90 Days	10 025 970	1 182 559	(186 975)
Sub-total	15 447 855	4 435 658	373 789
Less: Provision for Debt Impairment	(10 782 577)	(1 549 369)	(202 349)
Total debtors by customer classification	4 665 278	2 886 290	171 440

Reconciliation of Provision for Debt Impairment

	2019 R	2018 R
Balance at beginning of year	12 534 296	15 706 937

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Contribution to provision	1 149 141	-
VAT on provision	158 217	(413 823)
Reversal of provision	(94 358)	(2 758 819)
Balance at end of year	13 747 297	12 534 296
	2019	2018
	R	R
The total amount of this provision consist of:		
Services	11 764 302	10 508 219
Other Debtors	1 982 993	2 026 076
Total Provision for Debt Impairment on Receivables from exchange transactions	13 747 297	12 534 296

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2019 R	2018 R
10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	6 908 424	7 293 647
Fines	53 533 650	49 034 250
Other	465 081	374 127
	60 907 155	56 702 024
Less: Provision for Debt Impairment	(49 285 547)	(47 227 486)
Total Receivables from non-exchange transactions	11 621 607	9 474 539

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

	2019 R	2018 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2 625 896	2 435 431
31 - 60 Days	692 296	751 994
61 - 90 Days	148 619	133 880
+ 90 Days	3 441 613	3 972 343
Total	6 908 424	7 293 648

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	Industrial/ Commercial/ Other	National and Provincial Government
30 June 2019			
Current (0 - 30 days)	1 801 793	817 163	6 939
31 - 60 Days	501 806	184 517	5 973
61 - 90 Days	94 023	48 640	5 956
+ 90 Days	2 403 654	420 098	617 862
Sub-total	4 801 275	1 470 418	636 730
Less: Provision for Debt Impairment	(2 843 912)	(595 308)	(634 067)
Total debtors by customer classification	1 957 364	875 110	2 663

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	Industrial/ Commercial	National and Provincial Government
30 June 2018			
Current (0 - 30 days)	1 689 575	739 444	6 412
31 - 60 Days	543 434	203 646	4 914
61 - 90 Days	94 515	34 534	4 832
+ 90 Days	2 987 916	378 573	605 853
Sub-total	5 315 439	1 356 197	622 011
Less: Provision for Debt Impairment	(3 505 670)	(717 004)	(595 238)
Total debtors by customer classification	1 809 769	639 193	26 773

	2019 R	2018 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	47 227 486	58 473 145
Contribution to provision traffic fines	2 802 687	(9 592 245)
Contribution to provision	-	-

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Reversal of provision	(744 626)	(1 653 414)
Balance at end of year	49 285 547	47 227 486
	2019	2018
	R	R
The total amount of this provision consist of:		
Taxes	4 073 287	4 817 913
Fines	45 212 261	42 409 574
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	49 285 548	47 227 486
	2019	2018
	R	R

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

	2019	2018
	R	R
11. BANK ACCOUNTS		
<u>Cash and Cash Equivalents</u>		
Current Accounts	74 238 990	65 389 809
Call Deposits and Investments	700 000	-
Cash On-hand	6 171	6 171
Total Cash and Cash Equivalents - Assets	74 945 161	65 395 980

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

	2019	2018
	R	R
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
Fist National Bank- Swellendam- Account number 53840005730	6 077 923	2 351 713
ABSA - Barrydale- Account Number 2390560039 (Primary Bank)	67 706 492	62 788 296
	73 784 415	65 140 009
	R	R
Cash book balance at beginning of year	65 389 809	60 784 814
Cash book balance at end of year	74 238 990	65 389 809
Bank statement balance at beginning of year	65 140 009	60 121 027
Bank statement balance at end of year	73 784 415	65 140 009

Guarentees held

In Favour of Eskom - First National	2 000	2 000
In Favour of Department of Minerals and Energy (RSA) - First National Bank	20 000	20 000
In Favour of Powell Kelly Veldman - ABSA	700 000	-
	2019	2018
	R	R

12. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	29 735 690	31 881 264
Hire Purchase - At amortised cost	1 009 323	1 452 207
Capitalised Lease Liability - At amortised cost	1 191 066	1 684 333

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	31 936 079	35 017 804
Less: Current Portion transferred to Current Liabilities	3 413 534	3 078 312
Annuity Loans - At amortised cost	2 353 039	2 144 036
Hire Purchase - At amortised cost	482 095	441 009
Capitalised Lease Liability - At amortised cost	578 400	493 267

Total Long-term Borrowings

28 522 545	31 939 491
-------------------	-------------------

2019
R

2018
R

Minimum
payments

12.1 The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	5 544 692	5 577 448
Payable within two to five years	21 733 278	21 984 578
Payable after five years	21 584 957	27 377 457

Less: Future finance obligations

Present value of annuity loans obligations

48 862 926	54 939 483
(19 127 237)	(23 058 220)
29 735 690	31 881 264

The annuity loans consist out of the following contracts:

Annuity loans at amortised cost consist of 8 contracts with DBSA, calculated at interest rates ranging between 8.075% and 15.9%, with maturity dates between 2017 and June 2030. The loans are unsecured.

A loan from ABSA. The principle amount is R 6 595 800 at a fix interest rate of 9%. Interest is capitalized monthly and the repayments is 6 monthly. The loan is unsecured.

2019
R

2018
R

Minimum
payments

12.2 The obligations under hire purchases are scheduled below:

Amounts payable under hire purchases:

Payable within one year	562 326	566 175
Payable within two to five years	563 094	1 132 350

Less: Future finance obligations

Present value of hire purchases obligations

1 125 420	1 698 525
(116 096)	(246 319)
1 009 323	1 452 207

The hire purchase consist out of the following:

A Hire Purchase agreement at amortised cost was entered with ABSA. The principle amount is R 2 320 262.95 at a fix interest rate of 8%. Interest is capitalized monthly and the repayments is 6 monthly. The loan is secured.

2019
R

2018
R

Minimum
payments

12.3 The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	671 599	639 618
Payable within two to five years	643 724	1 315 330

Less: Future finance obligations

Present value of finance lease obligations

1 315 322	1 954 948
(124 255)	(270 615)
1 191 066	1 684 333

The capitalised lease liability consist out of the following contracts:

The municipality has entered into lease agreements with Centrafin for copiers, shredders and printers. The rental periods are for 36 months, starting 1 June 2018. Rental instalments are payable monthly. An annual escalation of 5% is applicable.

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - **Note 2**

2019
R

2018
R

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	40 996 574	37 628 406
Total Non-current Provisions	40 996 574	37 628 406
	2019	2018
	R	R
<u>Landfill Sites</u>		
Balance 1 July	37 628 406	34 651 512
Contribution for the year	3 368 168	2 627 161
Change in Provision for Rehabilitation Cost	-	349 733
Expenditure for the year	-	-
Total provision 30 June	40 996 574	37 628 406
<u>Less:</u> Transfer of Current Portion to Current Provisions - Note 16	-	-
Balance 30 June	40 996 574	37 628 406

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	<u>Malagas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Area (m²)	15 772	41 976	3 269	3 275	9 451
Preliminary and General	841 666	1 878 422	184 376	250 436	654 948
Site Clearance and Preparation	48 578	129 286	10 069	10 087	29 109
Stormwater Control Measures	1 076 568	1 632 831	455 288	466 106	1 175 130
Capping	3 209 674	10 823 145	665 875	671 444	2 035 955
Gas Management	-	87 558	-	-	-
Leachate Management	363 959	734 147	175 407	140 870	367 693
Fencing	1 313 121	10 333	10 333	500 323	1 070 315
Other	361 473	776 084	766 608	815 957	398 219
Contingencies	685 357	1 529 572	150 135	203 927	533 315
Engineering Professional Fees	565 419	1 261 897	123 861	168 239	439 985
Site Supervision	265 666	441 293	151 729	143 959	190 828

The municipality has a legal obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost at the date of decommission of the sites are as follows:

Location	Estimated decommission date	2019	2018
		<u>Cost of rehabilitation at decommission date</u> R	<u>Cost of rehabilitation at decommission date</u> R
Malagas	2019	9 269 185	8 517 453
Swellendam	2022	23 095 159	21 773 650
Infanta	2041	10 030 576	10 065 563
Suurbraak	2019	3 578 963	3 464 797
Barrydale	2019	7 320 136	6 850 217
		53 294 019	50 671 680
		2019 R	2018 R

14. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	25 251 068	30 397 195
Provision for Long Service Awards	5 399 612	3 661 887
Total Non-current Employee Benefits	30 650 680	34 059 082

	2019	2018
	R	R
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	31 211 814	30 592 132
Contribution for the year	4 593 229	4 597 169
Expenditure for the year	(761 142)	(535 088)
Actuarial Loss/(Gain)	(8 918 739)	(3 442 399)
Total provision 30 June	26 125 163	31 211 814
Less: Transfer of Current Portion to Current Provisions - Note 17	(874 095)	(814 619)
Balance 30 June	25 251 068	30 397 195

	2019	2018
	R	R
<u>Long Service Awards</u>		
Balance 1 July	4 160 367	2 831 422
Contribution for the year	673 753	1 526 211
Expenditure for the year	(399 089)	(271 664)
Actuarial Loss/(Gain)	1 485 472	74 398
Total provision 30 June	5 920 503	4 160 367
Less: Transfer of Current Portion to Current Provisions - Note 17	(520 891)	(498 480)
Balance 30 June	5 399 612	3 661 887

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R	
14.1 Provision for Post Retirement Health Care Benefits			
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
In-service (employee) members	189	184	
In-service (employee) non-members	51	56	
Continuation members (e.g. Retirees, widows, orphans)	18	18	
Total Members	258	258	
	2019 R	2018 R	
The liability in respect of past service has been estimated to be as follows:			
In-service members	14 250 442	19 302 079	
In-service non-members	1 509 643	2 967 357	
Continuation members	10 365 078	8 942 378	
Total Liability	26 125 163	31 211 814	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2017 R	2016 R	2015 R
In-service members	17 677 645	17 559 467	16 806 410
In-service non-members	3 357 770	3 324 146	3 614 443
Continuation members	9 556 718	8 809 257	7 913 632
Total Liability	30 592 133	29 692 870	28 334 485
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
Bonitas			
Hosmed			
LA Health			
Key Health, and			
SAMWU Medical Aid			
The Current-service Cost for the ensuing year is estimated to be R1 384 789 whereas the Interest Cost for the next year is estimated to be R2 425 888.			
Key actuarial assumptions used:	2019 %	2018 %	
i) Rate of interest			
Discount rate	9.44%	9.66%	
Health Care Cost Inflation Rate	6.90%	7.45%	
Net Effective Discount Rate	2.38%	2.06%	
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
iii) Normal retirement age			
The normal retirement age for employees of the municipality is 62 years for males and 59 for females.			
	2019 R	2018 R	
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations	26 125 163	31 211 814	
Net liability	26 125 163	31 211 814	
	2019 R	2018 R	
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year	31 211 814	30 592 132	
Total expenses	3 832 088	4 062 081	
Current service cost	1 616 607	1 635 693	
Interest Cost	2 976 622	2 961 476	
Benefits Paid	(761 142)	(535 088)	

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Actuarial (gains)/losses	(8 918 739)	(3 442 399)
Present value of fund obligation at the end of the year	26 125 163	31 211 814

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	15.760	10.365	26.125

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	19.399	11.377	30.776	18.00%
Health care inflation	-1%	12.928	9.486	22.414	-14.00%
Discount rate	1%	13.008	9.513	22.521	-14.00%
Discount rate	-1%	19.341	11.361	30.702	18.00%
Mortality	-1 year	16.212	10.753	26.965	3.00%
Average retirement age	-1 year	17.113	10.365	27.478	5.00%
Continuation of membership at retirement	-10%	13.005	10.365	23.370	-11.00%

	2019 Rm	2018 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	-0.874	-0.701

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	1.427	-1.649	-1.794
	2019 R	2018 R	

14.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 248 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R487 864 whereas the Interest Cost for the next year is estimated to be R460 009.

	2019 %	2018 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.12%	8.53%
General Salary Inflation (long-term)	5.53%	6.16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.45%	2.23%

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5 920 503	4 160 367
Net liability/(asset)	5 920 503	4 160 367

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	4 160 367	2 831 422
Total expenses	274 664	1 254 547
Current service cost	339 699	1 298 921
Interest Cost	334 054	227 290
Benefits Paid	(399 089)	(271 664)
Actuarial (gains)/losses	1 485 472	74 398
Present value of fund obligation at the end of the year	5 920 503	4 160 367

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	Change	Service cost	Interest cost	Total	% change
Assumption					
Central assumptions		339 700	334 100	673 800	
General salary inflation	1%	363 800	354 000	717 800	7.00%
General salary inflation	-1%	317 800	315 600	633 400	-6.00%
Discount rate	1%	319 600	351 400	671 000	0.00%
Discount rate	-1%	362 200	313 900	676 100	0.00%
Average retirement age	-2 yrs	273 000	251 600	524 600	-22.00%
Average retirement age	2 yrs	383 500	388 200	771 700	15.00%
Withdrawal rates	-50%	432 100	390 300	822 400	22.00%
				2019 R	2018 R

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	397 229	123 313
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 R	2016 R	2015 R
Liabilities: (Gain) / loss	233 573	181 212	278 768
		2019 R	2018 R

14.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
<u>CAPE JOINT RETIREMENT FUND</u>		
The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).		
Contributions paid recognised in the Statement of Financial Performance	7 171 717	6 267 188
	2019 R	2018 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
SAMWU National Provident Fund	1 982 130	1 943 867
	1 982 130	1 943 867
	2019 R	2018 R
15. CONSUMER DEPOSITS		
Water & Electricity	1 742 312	1 693 728
Other	771 653	551 076
Total Consumer Deposits	2 513 965	2 244 804
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
	2019 R	2018 R
16. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 13	-	-
Total Provisions	-	-
	2019 R	2018 R
17. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	843 040	793 463
Staff Bonuses	2 013 313	1 860 798
Staff Leave	6 423 221	5 722 745
Current Portion of Non-Current Provisions	1 394 986	1 313 099
Current Portion of Post Retirement Benefits - Note 14	874 095	814 619
Current Portion of Long-Service Provisions - Note 14	520 891	498 480
Total Provisions	10 674 559	9 690 105
The movement in current provisions are reconciled as follows:		
	2019 R	2018 R
17.1 Performance Bonuses		
Balance at beginning of year	793 463	869 789
Contribution to current portion	-	522 816
Expenditure incurred	49 577	(599 142)
Balance at end of year	843 040	793 463
Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
	2019 R	2018 R
17.2 Staff Bonuses		
Balance at beginning of year	1 860 798	1 613 694
Contribution to current portion	3 850 360	3 611 701
Expenditure incurred	(3 697 845)	(3 364 597)

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Balance at end of year	2 013 313	1 860 798
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Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

	2019 R	2018 R
17.3 <u>Staff Leave</u>		
Balance at beginning of year	5 722 745	5 289 731
Contribution to current portion	846 514	693 891
Expenditure incurred	(146 039)	(260 877)
Balance at end of year	6 423 221	5 722 745

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

	2019	2018
18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	20 470 966	18 856 849
Accrued Interest	641 231	684 639
Advance Payments	1 736 031	1 249 178
Pre-Paid Electricity	555 797	538 469
Other Payables	3 302	1 459 250
Retentions	940 874	755 925
Total Trade Payables	24 348 200	23 544 309

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

	2019 R	2018 R
19. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	7 115 532	5 281 618
National Government Grants	79 410	2 277
Provincial Government Grants	6 951 449	5 194 668
District Municipality	-	-
Other Sources	84 673	84 673
Less: Unpaid Transfers and Subsidies	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Unspent Transfers and Subsidies	7 115 532	5 281 618

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

	2019 R	2018 R
20. TAXES		
20.1 VAT Payable		
VAT Output in Suspense	(21 860 717)	1 357 161
Less: Contribution to Provision for Doubtful Debt Impairment	-	-
Total VAT Payable	(21 860 717)	1 357 161
20.2 VAT Receivable		
VAT Input in Suspense	24 440 357	266 408

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Total VAT Receivable	24 440 357	266 408
	2019	2018
	R	R
20.3 Net VAT (Payable)/Receivable	2 579 641	1 623 569
VAT is payable on the receipts basis. VAT is paid over to SARS after payments received from debtors.		
	R	R
21. NET ASSET RESERVES		
RESERVES	11 394 862	12 109 031
Capital Replacement Reserve	11 000 000	10 000 000
Housing Development Fund	394 862	2 109 031
Total Net Asset Reserve and Liabilities	11 394 862	12 109 031
21.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
21.2 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.		
	2019	2018
	R	R
22. PROPERTY TAXES		
<u>Actual</u>		
Rateable Land and Buildings	41 178 596	38 700 145
Business and Commercial Property	4 136 488	5 775 862
Industrial Property	1 160 688	-
Public Benefit Organisations	-	1 871
Public Service Infrastructure Properties	-	524
Residential Properties	26 393 686	24 535 896
State-owned Properties	1 862 463	1 836 574
Agricultural Property	7 267 494	6 549 417
Multiple Purposes	303 257	-
Other Categories	54 520	-
Less: Rebates	(3 686 445)	(3 578 139)
Total Property Rates	37 492 151	35 122 006
	2019	2018
	R	R
<u>Valuations</u>		
Residential Properties	2 113 788 000	2 632 780 450
Industrial Properties	133 489 000	70 745 000
Business and Commercial Properties	557 380 000	401 067 400
Farm Agricultural Purposes	3 707 843 500	2 667 545 873
Government Properties	83 539 000	-
Municipal Properties	147 608 550	-
Private Open Space	67 100	-
Private Road	38 100	-
Public Road	3 000	-
Properties owned by an organ of state and used for Public Service Purpose (PSP)	166 510 000	-
Protected Areas	5 700 000	-
Public Service Infrastructure Properties (PSI)	4 367 400	-
Public Worship	60 230 000	-
Property Owned by Public Benefit Organisations used for specified public benefit activities (PBO)	38 613 000	-
Property used for Multiple Purpose	159 461 000	-
Vacant Land	169 928 000	-
Vacant Land Res - 30% discount	1 036 365 000	-
Vacant Land - 30% discount	112 660 000	-
Farm Other Purposes - Sec 8(2)(d)(iv)	-	50 736 000
Farm Not use for any Purposes -Sec 8(2)(e)	-	27 225 000
Small Holdings Agricultural-Sec 8(2)(f)(i)	-	4 070 000
Small Holdings Residential Purposes-Sec 8(2)(f)(ii)	-	21 708 000
Small Holdings Business Purposes-Sec 8(2)(f)(iii)	-	212 000
State Owned - Sec 8(2)(g)	-	4 070 000
Public Service Infrastructure -Sec 8(2)(i)	-	197 681 000
National Monuments- Sec 8(2)(p)	-	146 444 450
Public Benefit Organisations - Sec 8(2)(q)	-	3 758 300
National Monuments- Sec 8(2)(p)	-	13 470 000
Public Benefit Organisations - Sec 8(2)(q)	-	86 254 500

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Total Valuations	8 497 590 650	6 327 767 973
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Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0.791c/R	0.972c/R
Commercial	0.794c/R	0.972c/R
Industrial, Agricultural and Casino	0.198c/R	0.243c/R

Rates are levied annually and monthly. Monthly rates are payable by the 28th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2019 R	2018 R
23. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies-Operating	39 859 323	40 287 117
Capacity Building Grant	-	43 090
EPWP	1 266 000	1 291 000
Equitable Share	29 001 000	26 201 000
Finance Management Grant	1 770 000	1 700 000
Financial Management Support Grant	301 133	330 000
Housing	1 621 966	5 027 350
Main Road Subsidy	46 268	50 000
Municipal Infrastructure Grant	649 695	503 350
Municipal Replacement Fund	4 951 413	4 622 961
Thusong Centre	28 573	
Internship Grant	5 882	39 866
Seta	217 394	368 913
Wesgro	-	109 587
Government Grants and Subsidies-Capital	13 349 628	17 491 165
Municipal Service Delivery and Capacity Building Grant	290 456	-
Integrated National Electrification Grant	1 944 734	2 317 963
Municipal Infrastructure Grant	11 114 438	15 090 790
Wesgro	-	82 412
Total Government Grants and Subsidies	53 208 951	57 778 282
	2019 R	2018 R
Included in above are the following grants and subsidies received:		
Unconditional	29 001 000	26 201 000
Equitable Share	29 001 000	26 201 000
Conditional	24 207 951	31 577 282
Grants and donations	24 207 951	31 577 282
Total Government Grants and Subsidies	53 208 951	57 778 282
	2019 R	2018 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	29 001 000	26 201 000
Community Services	6 601 951	9 842 310
Corporate Services	217 394	368 913
Engineers Service	15 311 591	19 253 103
Finance Service	2 071 133	2 030 000

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Municipal Manager	5 882	82 956
Total Government Grants and Subsidies	53 208 951	57 778 282

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

	2019 R	2018 R
23.1 <u>Equitable Share</u>		
Opening balance	-	-
Grants received	29 001 000	26 201 000
Expenditure- Operating	(29 001 000)	(26 201 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

	2019 R	2018 R
23.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Grants received	1 770 000	1 700 000
Conditions met - Operating	(1 770 000)	(1 700 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

	2019 R	2018 R
23.3 <u>Expanded Public Works Program (EPWP)</u>		
Opening balance	-	-
Grants received	1 266 000	1 291 000
Conditions met - Operating	(1 266 000)	(1 291 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

Job creation projects in previous disadvantage areas

	2019 R	2018 R
23.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	1 911	5 831 948
Grants received	11 786 000	10 067 000
Repaid to National Revenue Fund	-	(302 897)
Conditions met - Operating	(649 695)	(503 350)
Conditions met - Capital	(11 114 438)	(15 090 790)
Conditions still to be met	23 778	1 911

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

	2019 R	2018 R
23.5 <u>Integrated National Electrification Grant</u>		
Opening balance	366	318 329
Grants received	2 000 000	2 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(1 944 734)	(2 317 963)
Conditions still to be met	55 632	366

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

	2019 R	2018 R
23.6 <u>Housing Grant</u>		

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Opening balance	4 923 509	4 635 379
Grants received	2 462 372	5 315 480
Conditions met - Operating	(1 621 966)	(5 027 350)
Conditions met - Capital	-	-
Conditions still to be met	5 763 915	4 923 509

The Housing grant was utilised for the development of erven and the erection of top structures.

	2019 R	2018 R
23.7 Library Grant		
Opening balance	52 039	-
Grants received	5 026 000	4 675 000
Conditions met - Operating	(4 951 413)	(4 622 961)
Conditions met - Capital	-	-
Conditions still to be met	126 626	52 039

Funding of the Municipal Library expenditure and the Provincial mandate and competency

	2019 R	2018 R
23.8 Other Grants		
Opening balance	303 793	718 914
Grants received	1 741 289	707 372
Repaid to National Revenue Fund	(9 795)	(98 625)
Conditions met - Operating	(599 250)	(941 455)
Conditions met - Capital	(290 456)	(82 412)
Conditions still to be met	1 145 581	303 793

	2019 R	2018 R
23.9 Total Grants		
Opening balance	5 281 618	11 504 570
Grants received	55 052 661	51 956 852
Repaid to National Revenue Fund	(9 795)	(401 522)
Conditions met - Operating	(39 859 323)	(40 287 116)
Conditions met - Capital	(13 349 628)	(17 491 166)
Conditions still to be met/(Grant expenditure to be recovered)	7 115 532	5 281 618

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	7 115 532	5 281 618
Unpaid Conditional Government Grants and Receipts	-	-
Total	7 115 532	5 281 618

	2019 R	2018 R
24. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Private sector	953	31 456
Total Contributed Property, Plant and Equipment	953	31 456

	2019 R	2018 R
25. LICENCES AND PERMITS		
Drivers Licence Application	-	-
Drivers Licence Certificate	760 039	734 510
Instructor Certificate	57 552	60 654
Learner Licence Application	503 543	366 031
Learners Certificate	1 386	429
Motor Vehicle Licence	31 521	31 269
Operators and Public Drivers Permits	70 924	65 993
Trading	26 010	10 986
Total Licences and Permits	1 450 975	1 269 872

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Disclosed as follows:

Revenue from Non-Exchange Transactions
Revenue from Exchange Transactions

Total Licences and Permits

-	-
1 450 975	1 269 872
1 450 975	1 269 872
2019	2018
R	R

26. SERVICE CHARGES

Electricity

Service Charges
Less: Revenue Forgone

74 869 738	69 538 832
74 869 588	69 553 924
150	(15 092)

Water

Service Charges
Less: Revenue Forgone

15 395 107	13 659 640
17 681 894	13 780 472
(2 286 787)	(120 832)

Refuse Removal

Service Charges
Less: Revenue Forgone

8 513 993	8 087 817
11 366 487	10 487 672
(2 852 494)	(2 399 856)

Sewerage and Sanitation Charges

Service Charges
Less: Revenue Forgone

14 335 097	13 430 206
19 071 983	17 779 119
(4 736 886)	(4 348 913)

Total Service Charges

113 113 934	104 716 495
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Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27. SALES OF GOODS AND RENDERING OF SERVICES

Advertisements
Building Plan Approval
Camping Fees
Cemetery and Burial
Development Charges
Encroachment Fees
Exempted Parking
Legal Fees
Photocopies and Faxes
Removal of Restrictions
Sale of Goods
Valuation Services

2019
R

2018
R

10 148
837 712
900 588
63 585
86 249
877
600
344 950
35 867
339 981
53 731
164 075

24 836
627 626
830 724
56 273
443 416
860
420
339 660
31 163
270 479
87 354
189 199

Total Sales of Goods and Rendering of Services

2 838 363	2 902 010
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28. RENTAL FROM FIXED ASSETS

Heritage Assets
Investment Property
Property, Plant and Equipment

2019
R

2018
R

2 400
739 700
-

3 180
669 550
-

Total Rental from Fixed Assets

742 100	672 730
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29. INTEREST EARNED - EXTERNAL INVESTMENTS

Financial assets
Other

2019
R

2018
R

5 032 794
-

4 183 787
-

Total Interest Earned - External Investments

5 032 794	4 183 787
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30. INTEREST EARNED - EXCHANGE TRANSACTIONS

Trade Receivables
Other Receivables

2019
R

2018
R

832 814
-

993 650
-

Total Interest Earned - Outstanding Receivables

832 814	993 650
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
31. OPERATIONAL REVENUE		
Breakages and Losses Recovered	3 015	2 972
Commission	37 298	62 971
Discounts and Early Settlements	11	28
Incidental Cash Surpluses	19 975	7 714
Merchandising, Jobbing and Contracts	123 202	118 041
Staff Recoveries	31 711	83 366
Sale of Property	18 034	18 990
Total Operational Revenue	233 247	294 081
	2019 R	2018 R
32. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	55 074 574	48 914 222
Pension and UIF Contributions	9 249 744	8 329 284
Medical Aid Contributions	4 997 935	5 202 996
Overtime	3 838 786	3 294 827
Bonuses	4 604 998	4 134 517
Motor Vehicle Allowance	4 834 312	3 969 148
Cell Phone Allowance	309 900	163 569
Housing Allowances	457 244	439 481
Other benefits and allowances	3 555 832	3 017 475
Payments in lieu of leave	846 514	693 891
Contribution to provision - Long Service Awards	2 159 225	1 600 609
Current Service Cost	339 699	1 298 921
Interest Cost	334 054	227 290
Actuarial Gains and Losses	1 485 472	74 398
Contribution to provision - Post Retirement Medical	(4 325 510)	1 154 770
Current Service Cost	1 616 607	1 635 693
Interest Cost	2 976 622	2 961 476
Actuarial Gains and Losses	(8 918 739)	(3 442 399)
Total Employee Related Costs	85 603 555	80 914 789
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on fixed term contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	2019 R	2018 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - Mr AM Groenewald		
Annual Remuneration	1 178 464	739 684
Rural Allowance	49 302	-
Performance Bonus	109 145	
Car Allowance	36 000	24 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	20 216	20 844
Cell phone allowance	14 400	9 400
Total	1 407 526	793 928
	2019 R	2018 R
Remuneration of the Director Engineering Services - MR FP Erasmus		
Annual Remuneration	746 436	768 106
Performance Bonus	134 420	88 126
Travelling Allowance	120 000	120 000
Rural allowance	80 959	76 811
Contributions to UIF, Medical, Pension Funds and Bargaining Council	147 680	85 284
Cell phone allowance	12 000	11 000
Total	1 241 496	1 149 328
	2019 R	2018 R
Remuneration of Director : Community Services- KD Stuurman		
Annual Remuneration	800 028	752 757
Performance Bonus	146 454	94 322
Travelling Allowance	100 104	100 104

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Rural allowance	101 322	79 050
Contributions to UIF, Medical, Pension Funds and Bargaining Council	204 583	207 469
Cell phone allowance	12 000	11 000
Total	1 364 491	1 244 702

	2019	2018
	R	R
Remuneration of Director : Financial Services - Mr H Schlebusch		
Annual Remuneration	945 810	880 669
Acting Allowance		83 552
Performance Bonus	157 521	146 722
Car Allowance	58 988	58 988
Contributions to UIF, Medical, Pension Funds and Bargaining Council	225 794	228 853
Cell phone allowance	12 000	11 000
Total	1 400 113	1 409 785

	2019	2018
	R	R
Remuneration of Director : Corporate Services - Mr D du Plessis		
Annual Remuneration	982 208	916 300
Performance bonus	157 521	146 722
Car Allowance	48 000	48 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	175 830	175 798
Cell phone allowance	12 000	11 000
Total	1 375 558	1 297 820

	2019	2018
	R	R
33. REMUNERATION OF COUNCILLORS		
Cllr J. Lambrecht	631 233	608 662
Cllr J.C Nortje (period 01 July 2018 to 6 May 2019)	244 028	277 465
Cllr M.G.du Plessis	289 680	277 465
Cllr H.F.du Rand	631 233	608 662
Cllr G.Libazi	289 680	280 246
Cllr J.A. Matthysen	289 680	278 151
Cllr N.G Myburgh	819 463	789 653
Cllr A.M. Pokwas	664 451	640 603
Cllr B.O.Songwenqwe	664 451	640 603
Cllr J.C.M.J Koch	289 680	280 246
Cllr M.T.Swart	289 680	272 465
Total Councillors' Remuneration	5 103 259	4 954 221

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	778 663	-	40 800	-	819 463
Executive Deputy-Mayor	542 775	-	40 800	80 876	664 451
Speaker	475 575	60 000	40 800	88 076	664 451
Executive Committee Members	1 076 657	24 000	81 600	80 209	1 262 466
Councillors	1 081 023	228 392	238 658	144 355	1 692 428
Total Councillors' Remuneration	3 954 692	312 392	442 658	393 517	5 103 259

In-kind Benefits

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

	2019 R	2018 R
34. CONTRACTED SERVICES		
Outsourced Services	5 997 670	8 090 538
Consultants and Professional Services	3 570 147	2 814 771
Contractors	4 589 197	6 680 811
Total Contracted Services	14 157 014	17 586 120

The contracted services paid are for the following services :

Security Services	1 068 398	778 817
Maintenance of Equipment	6 420	118 815
Maintenance of Unspecified Ass	569 566	781 016
Commissions and Committees	79 612	66 913
Project Management	268 740	7 777
Event Promoters	8 479	16 763
Valuer	514 347	1 119 069
Human Resources	33 180	52 880
Valuer and Assessors	89 084	101 441
Infrastructure and Planning	89 692	-
Plants, Flowers and Other Deco	714	200
Maintenance of Buildings and F	651 947	680 463
Accounting and Auditing	1 830 678	2 232 762
Business and Financial Management	261 854	288 454
Legal Cost	677 445	764 756
Meter Management	16 596	63 639
Electrical	22 284	31 263
Laboratory Services	452 600	402 525
Building	1 618 082	5 027 350
Exhibit Installations	8 063	12 167
Alien Vegetation Control	44 911	42 549
Pest Control and Fumigation	14 317	12 775
Town Planner	27 000	-
Occupational Health and Safety	48 219	-
Research and Advisory	2 617	-
Geoinformatic Services	133 793	-
Forensic Investigators	302 736	-
Tracing Agents and Debt Collec	1 689 325	1 602 676
Connection/Dis-connection	108 425	104 264
Traffic Fines Management	2 957 367	2 616 787
Mini Dumping Sites	560 524	660 000
	14 157 014	17 586 120

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
35. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	7 652 527	6 820 325
Intangible Assets	71 367	62 806
Investment Property	92 332	95 173
Capitalized Restoration Cost	750 818	634 241
Total Depreciation and Amortisation	8 567 045	7 612 545
	2019 R	2018 R
36. FINANCE COSTS		
Long-term Borrowings	3 536 509	4 008 605
Non-current Provisions	3 368 168	2 627 161
Total Finance Costs	6 904 677	6 635 766
	2019 R	2018 R
37. BULK PURCHASES		
Electricity	55 675 625	51 602 061
Water	-	-
Total Bulk Purchases	55 675 625	51 602 061
	2019 R	2018 R
38. TRANSFERS AND SUBSIDIES		
Capital	-	-
Allocations In-kind	-	-
Monetary Allocations	-	-
Operational	1 699 908	1 296 595
Allocations In-kind	-	-
Monetary Allocations	1 699 908	1 296 595
Households	179 408	181 295
Non-profit Institutions	1 520 500	1 115 300
Total Transfers and Subsidies	1 699 908	1 296 595
	2019 R	2018 R
39. OPERATIONAL COST		
Assets less than the Capitalisation Threshold	-	1 391
Advertising, Publicity and Marketing	220 706	287 205
Bank Charges, Facility and Card Fees	1 025 631	886 871
Cleaning Services	91 609	92 687
Commission	1 691 426	1 611 069
Communication	1 701 370	1 697 399
Entertainment	176 338	82 661
External Audit Fees	2 259 201	2 627 622
External Computer Service	-	498 506
Full Time Union Representative	67 190	62 122
Honoraria (Voluntarily Workers)	-	245
Hire Charges	661 895	938 782
Indigent Relief	70 000	60 000
Insurance Underwriting	710 153	801 501
Levies Paid - Water Resource Management Charges	158 558	165 879
Licences	235 815	207 533
Management Fee	94 127	-
Printing, Publications and Books	305 137	33 950
Registration Fees	1 194 729	1 182 112
Remuneration to Ward Committees	39 779	41 865
Servitudes and Land Surveys	7 622	27 126
Skills Development Fund Levy	891 036	793 376
Travel and Subsistence	712 703	544 662
Uniform and Protective Clothing	60 865	67 082
Workmen's Compensation Fund	424 105	472 553
Total Operational Costs	12 799 996	13 184 199
	2019 R	2018 R

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES

Receivables from Exchange Transactions	1 092 247	(2 758 819)
Receivables from Non-exchange Revenue	27 636 011	33 191 296
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	28 728 258	30 432 477
	2019	2018
	R	R

41. (GAINS/LOSS) ON SALE OF FIXED ASSETS

Heritage Assets	-	-
Intangible Assets	-	-
Investment Property	-	-
Property, Plant and Equipment	(19 130)	344 721
Total Gains/ (Loss) on Sale of Fixed Assets	(19 130)	344 721
	2019	2018
	R	R

42. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS

Investment Property	204 977	-
Property, Plant and Equipment	(5 847 598)	-
Other	(215 161)	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	(5 857 782)	-
	2019	2018
	R	R

43. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS

	Balance previously reported	Adjustments	Reclassified Balance
Statement of Financial Position			
Accumulated Surplus/(Deficit)	(257 819 099)		(257 819 099)
Capital Replacement Reserve	(10 000 000)		(10 000 000)
Capitalised Restoration Cost	2 789 339		2 789 339
Cash and Cash Equivalents	65 395 980		65 395 980
Consumer Deposits	(2 244 804)		(2 244 804)
Provisions	(17 764 068)	17 764 068	-
Current Employee Benefits	(9 690 105)		(9 690 105)
Employee Benefits	(34 059 082)		(34 059 082)
Heritage Assets	2 323 963	(2 152 984)	170 979
Housing Development Fund	(2 109 031)		(2 109 031)
Intangible Assets	434 710		434 710
Inventory	10 431 675	(6 172 140)	4 259 535
Investment Property	25 073 476	(6 176 748)	18 896 727
Long-term Borrowings	(35 017 803)		(35 017 803)
Non-Current Provisions	(19 864 337)	(17 764 068)	(37 628 405)
Operating Lease Asset	37 812		37 812
Property, Plant and Equipment	291 680 191	14 501 873	306 182 064
Receivables from exchange transactions	8 129 003		8 129 003
Receivables from non-exchange transactions	9 474 539		9 474 539
Taxes	1 623 569		1 623 569
Trade and Other Payables from exchange transactions	(23 544 309)		(23 544 309)
Unspent Transfers and Subsidies	(5 281 617)		(5 281 617)
	-	-	-

	Balance previously reported	Adjustments	Reclassified Balance
Statement of Financial Performance			
Bulk Purchases	51 602 061		51 602 061
Contracted Services	13 703 717	3 882 403	17 586 120
Depreciation and Amortisation	7 473 737		7 473 737
Employee related costs	80 914 789	997 059	81 911 848
Inventory Consumed	17 469 790		17 469 790
Operating Leases	48 305		48 305
Remuneration of Councillors	4 954 221		4 954 221
Transfers and Subsidies	1 296 595		1 296 595
Operational Cost	18 063 662	(4 879 462)	13 184 199
Bad Debts Written Off	4 339 215		4 339 215
Finance Costs	6 635 766		6 635 766
Reversal of Impairment Loss/(Impairment Loss) on Receivables	30 432 477		30 432 477
Agency Services	(1 854 081)		(1 854 081)

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Contributed Property, Plant and Equipment	(31 456)	(31 456)
Fines, Penalties and Forfeits	(37 583 124)	(37 583 124)
Interest Earned - external investments	(4 183 787)	(4 183 787)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	1 066 198	1 066 198
Licences and Permits	(1 269 872)	(1 269 872)
Operational Revenue	(294 081)	(294 081)
Property Taxes	(35 122 006)	(35 122 006)
Rental from Fixed Assets	(672 730)	(672 730)
Service Charges	(104 716 495)	(104 716 495)
Government Grants and Subsidies-Capital	(17 491 166)	(17 491 166)
Government Grants and Subsidies-Operating	(40 287 116)	(40 287 116)
Sales of Goods and Rendering of Services	(2 902 010)	(2 902 010)
(Gains/Loss) on Sale of Fixed Assets	344 721	344 721
Interest Earned - Exchange Transactions	(993 650)	(993 650)
Interest Earned - Non-exchange Transactions	(257 768)	(257 768)
Net Surplus/(Deficit) for the year	(9 314 085)	(9 314 086)

- (i) The current portion of the Non Current Provision , amounted to R17 764 068 was incorrectly disclosed in the previous year, due to the fact that no funds would flow in the foreseeable periods to rehabilitate landfill sites which have reached the end of its useful lives.
- (ii) Property Plant and Equipment to the value of R14 501 873 was incorrectly classified and is now corrected
- (iii) The amounts as reflected in Statement of Performance are rectifications of incorrect classifications due to m SCOA implementation

	2019 R	2018 R
44. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from prior period errors		
	2018 R	2017 R
44.1 Accumulated Surplus		
Balance previously reported	257 819 099	246 944 981
Investment Properties- cost -see note (ii)	(6 369 311)	(6 369 311)
Investment Properties- Accumulated Depreciation and Impairment -see note (ii)	4 573 845	4 573 845
Investment Properties- Accumulated Depreciation - see note (ii)	(14 001)	-
Inventory-first time recognition - see note (i)	7 500	7 500
Inventory-de recognition - see note (i)	(628 000)	(628 000)
Property Plant and Equipment-cost -see note (v)	79 554	79 554
Property Plant and Equipment-cost -see note (v)	214 268	214 268
Property Plant and Equipment- Accumulated Depreciation -see note (v)	(5 985)	(5 984)
Property Plant and Equipment- Depreciation - see note (v)	(200 334)	
Property Plant and Equipment-cost--see notes (iii) and (iv)	3 790 033	3 790 033
Property Plant and Equipment- Accumulated Depreciation-see note (iii) and (iv)	(39 099)	(39 099)
Property Plant and Equipment- Accumulated Impairment-see notes (iii) and (iv)	(3 056)	(3 056)
Property Plant and Equipment- Depreciation-see notes (iii) and (iv)	75 527	
Restated Balance	259 300 040	248 564 731

- With the reconciliation between the property list, deeds dump and valuation roll the following corrections were made to the Inventory plots. These errors are now rectified retrospectively in terms of GRAP 3 with the following entries: (Dt) Accumulated Surplus - prior years R628 000 (CR) Inventory plots R628 000 (DT) Inventory plots R7500 (CR) Accumulated Surplus - prior years R7500
- (i)

- With the reconciliation between the property list, deeds dump and valuation roll the following corrections were made to the Investment Property even. This error is now rectified retrospectively in terms of GRAP 3 with the following entries : (Cr) Investment property - Cost R6 396310.78 (Dt) Accumulated Surplus - current year - R6 396310.78 (Cr) Investment Property - Accumulated depreciation prior years R120 656.17 (Dt) Accumulated Surplus - prior years- R 106 655.48 (Dt) Accumulated Surplus - prior years- R 14 000.69 (Dt) Investment Property - Accumulated impairment prior years R4680 500 (Ct) Accumulated Surplus - prior years- R4 680 500
- (ii)

- With the review of the Community Assets Register and reconciliation with the valuation roll and deeds office the following errors were noted. This error is now rectified retrospectively in terms of GRAP 3 with the following entries : (Dt) Community Assets - Cost R157 034.21 (Cr) Accumulated Surplus - current year - R157 034.218 (Cr) Community Assets - Accumulated Depreciation prior years R71 014.74 (Dt) Accumulated Surplus - prior years- R 64 059.04 (Dt) Accumulated Surplus - prior years- R 6955.70
- (iii)

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

With the review of the Other Assets Register and reconciliation with the valuation roll and deeds office the following errors were noted. This error is now rectified retrospectively in terms of GRAP 3 with the following entries : (Dt) Other Assets - Cost R3 632 998.76 (Cr) Accumulated Surplus - current year - R3632998.76 (Dt) Community Assets - Accumulated Depreciation prior years R28 860.15 (Cr) Accumulated Surplus - prior years- R24 959.97 (Cr) Accumulated Surplus - prior years- R3900.18 (Dt) Community Assets - Accumulated Impairment prior years R75 527.04 (Cr) Accumulated Surplus - prior years- R75 527.04

(iv)

With the annual asset count the following corrections were made. These errors are now rectified retrospectively in terms of GRAP 3 with the following entries : (Dt) Transport Assets Cost R17600 (Cr) Accumulated depreciation R5069.71 (Dt) Furniture and office equipment Cost R150296.41 (Cr) Furniture and office equipment Accumulated depreciation R99023.30 (Dt) Computer Equipment Cost R51 600.7 (Cr) Computer Equipment Accumulated depreciation R41994.31 (Dt) Machinery and Equipment Cost R74 324.62 (Cr) Machinery and Equipment Accumulated depreciation R60230.07 (Cr) Accumulated surplus - prior years R79553.93 (Cr) Accumulated surplus Current year R214267.813 (Dt) Accumulated surplus Prior year R5282.84 (Dt) Accumulated surplus Current year R200334.57

(v)

	2018 R	2017 R
44.2 Property, Plant and Equipment		
Balance previously reported	306 182 064	277 921 624
Cost	4 083 855	4 083 855
	79 554	79 554
	214 268	214 268
	3 790 033	3 790 033
Accumulated Depreciation	(172 946)	(48 139)
	(5 985)	(5 984)
	(200 334)	-
	(39 099)	(39 099)
	(3 056)	(3 056)
	75 527	
Restated Balance	310 092 973	281 957 340

	2018 R	2017 R
44.3 Investment Property		
Balance previously reported	18 896 727	25 073 476
Cost	(6 369 311)	(6 369 311)
	(6 369 311)	(6 369 311)
Accumulated Depreciation and Impairment	4 559 844	4 573 845
	4 573 845	4 573 845
	(14 001)	
Restated Balance	17 087 260	23 278 010

	2018 R	2017 R
44.4 Inventory		
Balance previously reported	4 259 535	10 431 675
Correction -see note (i)	7 500	7 500
Correction -see note (i)	(628 000)	(628 000)
Restated Balance	3 639 035	9 811 175

	2019 R	2018 R
44.5 Changes to Statement of Financial Performance		

Movement on operating account as a result of prior period corrections

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Taxes		35 122 006	-	35 122 006

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Government Grants and Subsidies-Capital	17 491 166	-	17 491 166
Government Grants and Subsidies-Operating	40 287 116	-	40 287 116
Contributed Property, Plant and Equipment	31 456	-	31 456
Fines, Penalties and Forfeits	37 583 124	-	36 620 474
Interest Earned - Non-exchange Transactions	257 768	-	257 768
Service Charges	104 716 495	-	104 716 495
Sales of Goods and Rendering of Services	2 902 010	-	3 864 660
Rental from Fixed Assets	672 730	-	672 730
Interest Earned - External Investments	4 183 787	-	4 183 787
Interest Earned - Exchange Transactions	993 650	-	993 650
Licences and Permits	1 269 872	-	1 269 872
Agency Services	1 854 081	-	1 854 081
Operational Revenue	294 081	-	294 081
Total	247 659 340	-	247 659 340

Expenditure

Employee related costs	80 914 789	-	80 914 789
Remuneration of Councillors	4 954 221	-	4 954 221
Bad Debts Written Off	4 339 215	-	4 339 215
Contracted Services	13 703 717	-	13 703 717
Depreciation and Amortisation	7 473 737	138 808	7 612 545
Finance Costs	6 635 766	-	6 635 766
Bulk Purchases	51 602 061	-	51 602 061
Inventory Consumed	17 469 790	-	17 469 790
Operating Leases	48 305	-	48 305
Transfers and Subsidies	1 296 595	-	1 296 595
Operational Cost	18 063 662	-	18 063 662
Total	206 501 859	138 808	206 640 667

Gains and Losses

Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(1 066 198)	-	(1 066 198)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(30 432 477)	-	(30 432 477)
(Gains/Loss) on Sale of Fixed Assets	(344 721)	-	(344 721)
Total	(31 843 396)	-	(31 843 396)
Net Surplus/(Deficit) for the year	9 314 085	138 808	9 175 277

**2019
R**

**2018
R**

45. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	14 074 660	9 175 277
Adjustments for:		
Depreciation and Amortisation	8 567 045	7 612 545
Loss/(Gain) on Sale of Fixed Assets	(19 130)	344 721
Impairment Loss/(Reversal of Impairment Loss)	28 728 258	30 432 477
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	1 776	-
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	5 701 436	-
Contributed Property, Plant and Equipment	(953)	(31 456)
Government Grants and Subsidies received	55 052 661	51 555 330
Government Grants and Subsidies recognised as revenue	(53 218 746)	(57 778 282)
Change in Provision for Rehabilitation Cost	3 368 168	1 346 074
Contribution from/to provisions - Non-Current Employee Benefits	(3 408 403)	1 725 136
Contribution from/to - Current Employee Benefits	984 455	827 284
Bad Debt written off	900 987	4 339 215
Operating lease income accrued	7 508	467
Operating lease expenses accrued	4 098	-
Operating Surplus/(Deficit) before changes in working capital	60 743 819	49 548 789
Changes in working capital	(32 833 442)	(23 631 556)
Increase/(Decrease) in Provisions	-	1 630 819
Increase/(Decrease) in Trade and Other Payables	803 892	1 393 921
Increase/(Decrease) in Taxes	(956 072)	169 671
(Increase)/Decrease in Inventory	78 566	655 916
(Increase)/Decrease in Trade and other receivables	(32 759 827)	(27 481 883)
Cash generated/(absorbed) by operations	27 910 377	25 917 233

**2019
R**

**2018
R**

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 11	74 238 990	65 389 809
Call Deposits and Investments - Note 11	700 000	-
Cash Floats - Note 11	6 171	6 171
Total cash and cash equivalents	74 945 161	65 395 980

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 46	74 945 161	65 395 980
Less:	(4 930 752)	(5 767 079)
Unspent Transfers and Subsidies - Note 19	(7 115 532)	(5 281 618)
VAT - Note 20	2 579 641	1 623 569
Cash Portion of Housing Development Fund - Note 21	(394 861)	(2 109 030)
Net cash resources available for internal distribution	70 014 408	59 628 901
Allocated to:		
Capital Replacement Reserve	(11 000 000)	(10 000 000)
Resources available for working capital requirements	59 014 408	49 628 901
	2019 R	2018 R
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 12	31 936 079	35 017 804
Used to finance property, plant and equipment - at cost	(31 936 079)	(35 017 804)
	-	-
Cash set aside for the repayment of long-term liabilities		
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
	2019 R	2018 R
49. BUDGET INFORMATION		
49.1 Explanation of variances between approved and final budget amounts		
The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.		
Explanation of variances greater than R2.4 million: Final Budget and Actual Amounts		
49.2 Statement of Financial Position		
49.2.1 Current Assets		
Cash		
Improved credit and budget control as well as Unspent Conditional Grants. Also due to EFT payments not through the bank statement on year end.		
Consumer Debtors		
Due to Property Rates debtors budgeted under Consumer Debtors instead of under Other Debtors.		
Other Debtors		
Due to Property Rates debtors budgeted under Consumer Debtors instead of under Other Debtors.		
Inventory		
Budget in line with prior year financial statements Inventory which was restated with R6 million in the current year in note 43.		
49.2.2 Non-Current Assets		
Investment Property		
Budget in line with prior year financial statements Investment Property which was restated with R6 million in the current year in note 43.		
Document reasons		
Property, Plant and Equipment		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Due to retrospective correction of error as well as formula used to determine the budgeted amount and Town hall reclassified as Property, Plant and Equipment with R2 million in note 43

Other Non-Current Assets

Town hall reclassified as Property, Plant and Equipment with R2 million in note 43.

49.2.3 Current Liabilities

Trade and Other Payables

Due to EFT payments not paid on year end.

Provisions

Due to actuarial calculations and movement between current and non-current provisions. Total difference between current and non-current provisions is R1 827 187.

49.2.4 Non-Current Liabilities

Provisions

Due to actuarial calculations and movement between current and non-current provisions. Total difference between current and non-current provisions is R1 827 187.

49.2.5 Net Assets

Accumulated Surplus/(Deficit)

Due to actual surplus of R14 million in the current year.

Reserves

Contribution to CRR not taken into account in full during the budgeting process.

Statement of Financial Performance

49.2.6 Revenue

49.2.7 Expenditure

Employee related costs

Cost containment measures on employee cost as well as due to the decrease in provisions of employee benefits.

Debt Impairment

Excessive budgeting for impairment of traffic fines.

Other Expenditure

Inadequate budgeting for various other expenditure lines

Transfers Recognised - Capital

Land purchase transaction not utilised.

Cash Flow Statement

49.2.8 Net Cash from Operating Activities

Government - Operating

Due to Unspent Conditional Grants.

Suppliers and Employees

Cost containment measures on employee cost and expenditure.

Finance costs

Due to formula used to determine the budgeted amount.

49.2.9 Net Cash from Investing Activities

Capital Assets

Land purchase transaction not utilised.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

49.2.'1 Net Cash from Financing Activities

	2019 R	2018 R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
50.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	9 984 580	1 095 656
Unauthorised expenditure current year - operational	-	9 984 580
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned	(9 984 580)	(1 095 656)
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	0	9 984 580
	2019 R	2018 R

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None
Over expenditure of approved budget	None
Over expenditure of approved budget	None
Over expenditure of approved budget	None
	-
	9 984 580

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - operating				
MUNICIPAL MANAGER	5 334 406	7 218 694	(1 884 288)	-
FINANCE SERVICE	29 062 392	31 710 663	(2 648 271)	-
CORPORATE SERVICES	27 243 538	35 730 332	(8 486 794)	-
COMMUNITY SERVICES	76 855 702	88 830 001	(11 974 299)	-
ENGINEERS SERVICE	119 905 770	131 762 006	(11 856 236)	-
	258 401 808	295 251 696	(36 849 888)	-

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - capital				
MUNICIPAL MANAGER	15 155	15 153	(0)	-
FINANCE SERVICE	1 436 017	1 651 357	(215 340)	-
CORPORATE SERVICES	24 125	24 124	0	-
COMMUNITY SERVICES	869 564	5 316 009	(4 446 445)	-
ENGINEERS SERVICE	13 249 652	14 088 342	(838 690)	-
	15 594 513	21 094 985	(5 500 475)	-

	2019 R	2018 R
50.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	2019 R	2018 R

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
None	None		
None	None		
None	None		
		-	-
		2019	2018
		R	R

50.3 Irregular expenditure

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Reconciliation of irregular expenditure:

Opening balance	4 515 170	3 238 802
Irregular expenditure current year	1 680 821	1 498 233
Expenditure authorised i.t.o. Section 32 of MFMA	(6 192 139)	(221 865)
Current year	(1 676 969)	(136 700)
Prior years	(4 515 170)	(85 165)
Condonement supported by council		
Transfer to receivables for recovery - not condoned		
Irregular expenditure awaiting further action	3 852	4 515 170
	2019	2018
	R	R

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Theewaterskloof Municipality-Task evaluation</i>	<i>written off</i>	67 201	
<i>Geo Debt-non compliance with SCM regulations</i>	<i>written off</i>	1 482 023	4 515 170
<i>LC Eksteen- Supply and delivery of water</i>	<i>written off</i>	1 421	
<i>T Sedgewick Holdings(Pty) Ltd -non compliance with SCM</i>	<i>written off</i>	130 176	
		1 680 821	4 515 170

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

50.4 Material Losses

Water distribution losses

Units purified (kl)	1 536 421	1 530 641
Units lost during distribution (ml)	248 837	346 953
Percentage lost during distribution	16.20%	22.67%

Electricity distribution losses

Units purchased (Kwh)	57 017 662	56 834 607
Units lost during distribution (Kwh)	5 930 498	5 493 016
Percentage lost during distribution	10.40%	9.66%

2019
R

2018
R

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	946 837	811 050
Amount paid - current year	(946 837)	(811 050)
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

2019
R

2018
R

51.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	2 338 812	2 694 535
External Audit - Auditor-General	2 259 201	2 627 622
Audit Committee	79 612	66 913
Amount paid - current year	(2 338 812)	(2 694 535)
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-

2019
R

2018
R

51.3 VAT - [MFMA 125 (1)(c)]

Balance at year end - Refer to note 20	2 579 641	1 623 569
Closing balance	2 579 641	1 623 569

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2019	2018
	R	R
51.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions	13 604 098	11 654 588
Amount paid - current year	(13 604 098)	(11 654 588)
Balance unpaid (included in creditors)	-	-

	2019	2018
	R	R
51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	23 190 406	20 956 234
Amount paid - current year	(23 190 406)	(20 956 234)
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-

51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2019:

	Outstanding more than 90 days
Lamprecht	984
Matthysen	4 402
Du Plessis	1 723

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

SCM Reg	Short Description	Amount	Percentage
36(1)(a)(i)	Emergency / Urgent	231 073	8.55%
36(1)(a)(ii)	Sole Supplier	1 081 068	39.99%
36(1)(a)(iii)	Historical works	-	0.00%
36(1)(a)(iv)	Animals for zoo	-	0.00%
36(1)(a)(v)	Impracticable / Impossible	1 384 205	51.20%
36(1)(b)	Minor Breaches	7 222	0.27%
		2 703 569	100%

Summary per Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Procurement < R30k	95972.24	98 002	76 917	64 014	334 905	12.39%
Procurement > R30k < R200k	89739.15	76 838	90 371	435 561	692 508	25.61%
Procurement > R200k	0	299 000	1 377 155	-	1 676 155	62.00%
	185711.39	473 840	1 544 443	499 574	2 703 569	100%

Summary per Department	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Municipal Manager	21400	68 176	60 000	-	149 576	5.53%
Corporate Services	0	46 672	694 944	165 654	907 269	33.56%
Financial Services	0	17 024	348 146	85 871	451 041	16.68%
Infrastructure Services	164084.86	338 740	436 373	243 650	1 182 848	43.75%
Community Services	226.53	3 228	4 980	4 400	12 834	0.47%
	185711.39	473 840	1 544 443	499 574	2 703 569	100.00%

			2019	2018
			R	R
51.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).				
Company	Name	Relation		
Hein's Auto Elektries	J. de Jager	Brother	100 185	100 081
Kemanzi	JN du Toit	Spouse	760 653	415 821
Lebazi Brothers (Pty)Ltd	Clr. G. Lebazi	Aunt	19 863	10 454
Khoi San Cave Holdings	G. Jansen / A. Jansen	Son / Daughter in law	19 230	-
Neldin Voorsieners	N. Pietersen	Wife	21 903	-
Fabricius Trekkers	L Baransky	Father	-	2 761

52 ADDITIONAL DISCLOSURES IN TERMS OF BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on Compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information

Ownership and Management Control

As an sphere of Government, the municipality has no shareholding. The categories below are therefore only applicable on Management and control

	Senior Management	Middle Management	Junior Management
Race classification			
African	-	1	2
Coloured	2	17	38
Indian	-	-	-
Gender			
Male	5	11	
Female	-	2	
Age			
Youth (between the ages 18-35)	-	-	-
Middle aged (between the ages 36-50)	1		
Senior (older than 50)	4		
Disability			
Male	-		
Female	-		

53. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2019 R	2018 R
1% (2018: 1%) Increase in interest rates	(156 180)	(49 371)
1% (2018: 1%) Decrease in interest rates	156 180	49 371

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to **note 9 and 10** for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2019 %	2019 R	2018 %	2018 R
<u>Non-exchange Receivables</u>				
Rates	100.00%	6 908 424	100.00%	7 293 647
<u>Exchange Receivables</u>				
Electricity	27.31%	6 132 945	29.39%	5 954 615
Water	22.64%	5 083 334	21.47%	4 348 722
Refuse	15.74%	3 533 918	15.45%	3 130 702
Sewerage	24.72%	5 550 376	25.36%	5 136 807
Rentals	1.14%	257 080	1.26%	254 368
Sundry Receivables	8.45%	1 898 074	7.07%	1 432 088
	100.00%	22 455 726	100.00%	20 257 302

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in **note 9 and 10** of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus **1%** where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2019 %	2019 R	2018 %	2018 R
<u>Non-exchange Receivables</u>				
Rates	6.46%	4 073 287	8.06%	4 817 913
Traffic Fines	71.73%	45 212 261	70.96%	42 409 574
<u>Exchange Receivables</u>				
Services	21.81%	13 747 296	20.97%	12 534 296
	100.00%	63 032 844	100.00%	59 761 782

The provision for bad debts for rates and services could be allocated between the different categories of receivables as follow:

	2019 %	2019 R	2018 %	2018 R
Government	4.48%	798 454	4.60%	797 587
Industrial	11.42%	2 035 487	13.06%	2 266 373
Residential	84.10%	14 986 642	82.34%	14 288 247
	100.00%	17 820 583	100.00%	17 352 207

<u>Ageing of amounts past due but not impaired are as follow:</u>		Exchange Receivables	Non-exchange Receivables
2019			
Past due		1 092 850	209 241
2018			
Past due		417 319	40 304

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE . The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	22 455 726	20 257 302
Receivables from non-exchange transactions	60 907 155	56 702 024
Cash and Cash Equivalents	74 938 990	65 389 809
	158 301 870	142 349 135

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	6 778 616	22 940 095	21 584 957	-
Trade and Other Payables	24 348 200	-	-	-
Provision for Landfill site rehabilitation	20 168 284	23 095 159	-	10 030 576
	51 295 101	46 035 254	21 584 957	10 030 576
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	6 783 241	24 432 258	27 377 457	-
Trade and Other Payables	23 544 309	-	-	-
Provision for Landfill site rehabilitation	18 832 468	21 773 650	-	10 065 563
	49 160 017	46 205 908	27 377 457	10 065 563
			2019 R	2018 R

54. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

54.1 Financial Assets

Classification

Investments

- -

Non-Current Receivables

2019
R - 2018
R -

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2019 R	2018 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	6 132 945	5 954 615
Water	Financial Instruments at amortised cost	5 083 334	4 348 722
Refuse	Financial Instruments at amortised cost	3 533 918	3 130 702
Sewerage	Financial Instruments at amortised cost	5 550 376	5 136 807
Rentals	Financial Instruments at amortised cost	257 080	254 368
Sundry Receivables	Financial Instruments at amortised cost	1 898 074	1 432 088

		2019 R	2018 R
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	74 238 990	65 389 809
Call Deposits	Financial Instruments at amortised cost	700 000	-
Total Financial Assets		97 394 716	85 647 111

		2019 R	2018 R
--	--	-----------	-----------

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at cost:		-	-
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		2019 R	2018 R
Financial Instruments at amortised cost:			
Receivables from Exchange Transactions	Electricity	6 132 945	5 954 615
Receivables from Exchange Transactions	Water	5 083 334	4 348 722
Receivables from Exchange Transactions	Refuse	3 533 918	3 130 702
Receivables from Exchange Transactions	Sewerage	5 550 376	5 136 807
Receivables from Exchange Transactions	Rentals	257 080	254 368
Receivables from Exchange Transactions	Sundry Receivables	1 898 074	1 432 088
Cash and Cash Equivalents	Bank Balances	74 238 990	65 389 809
Cash and Cash Equivalents	Call Deposits	700 000	-
		97 394 716	85 647 111

Total Financial Assets		97 394 716	85 647 111
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54.2 Financial Liabilities

Classification

Long-term Liabilities

Annuity Loans	Financial Instruments at amortised cost	29 735 690	31 881 264
Capitalised Lease Liability	Financial Instruments at amortised cost	1 191 066	1 684 333

		2019 R	2018 R
--	--	-----------	-----------

Trade and Other Payables

Trade Payables	Financial Instruments at amortised cost	20 470 966	18 856 849
Accrued Interest	Financial Instruments at amortised cost	641 231	684 639
Advance Payments	Financial Instruments at amortised cost	1 736 031	1 249 178
Pre-Paid Electricity	Financial Instruments at amortised cost	555 797	538 469
Other Payables	Financial Instruments at amortised cost	3 302	1 459 250
Retentions	Financial Instruments at amortised cost	940 874	755 925

		2019 R	2018 R
--	--	-----------	-----------

Cash and Cash Equivalents

Bank Overdraft	Financial Instruments at amortised cost	-	-
		55 274 957	57 109 906

		2019 R	2018 R
--	--	-----------	-----------

SUMMARY OF FINANCIAL LIABILITIES

Financial instruments at amortised cost:

Long-term Liabilities	Annuity Loans	29 735 690	31 881 264
Long-term Liabilities	Capitalised Lease Liability	1 191 066	1 684 333
Trade and Other Payables	Trade Payables	20 470 966	18 856 849
Trade and Other Payables	Accrued Interest	641 231	684 639
Trade and Other Payables	Advance Payments	1 736 031	1 249 178
Trade and Other Payables	Control, Clearing and Interface Accounts	555 797	538 469
Trade and Other Payables	Other Payables	3 302	1 459 250
Trade and Other Payables	Retentions	940 874	755 925
Cash and Cash Equivalents	Bank Overdraft	-	-

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		55 274 957	57 109 906
		2019 R	2018 R
55 STATUTORY RECEIVABLES			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		2 579 641	1 623 569
Receivables from Non-Exchange Transactions		60 442 074	56 327 897
Rates		6 908 424	7 293 647
Fines		53 533 650	49 034 250
Total Statutory Receivables (before provision)		63 021 714	57 951 466
Less: Provision for Debt Impairment		(49 285 547)	(47 227 486)
Total Statutory Receivables (after provision)		13 736 167	10 723 980
		2019 R	2018 R
56 IN-KIND DONATIONS AND ASSISTANCE			
The municipality did not receive any in-kind donations or assistance during the year under review.			
		2019 R	2018 R
57 PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.			
		2019 R	2018 R
58 CONTINGENT LIABILITY			
Bank Guarantees			
In Favour of Eskom		2 000	2 000
In Favour of Department of Minerals and Energy (RSA)		20 000	20 000
In Favour of Powell Kelly Veldman		700 000	-
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:			
Swellendam Municipality vs M Steenkamp - Case Number 1826/2014			
Defended litigation: Claim for wasted expenditure and counter claim for damages: Legal cost approximately R75 000		75 000	550 000
P Muller vs Swellendam Municipality - Case Number WCP 121714			
Unfair dismissal: Employee related cost R700 000 and legal cost of approximately R50 000		750 000	-
A Gaffley vs Swellendam Municipality - Case Number WCP 121712			
Unfair dismissal: Employee related cost R438 774 and legal cost of approximately R7 846		446 620	-
Illegal Squatters - Application for interdict and eviction			
Application for interdict and eviction - Legal cost of approximately R100 000		100 000	-
		1 371 620	550 000
59 RELATED PARTIES			
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
59.1 Related Party Transactions			
	Rates and Services 2018	Outstanding Balance 2018	Rates and Services 2019
Year ended 30 June 2019			Outstanding Balance 2019

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	R	R	R	R
Councillors				
Lamprecht	23 393	14 967	32 274	3 248
Matthysen	11 187	13 925	12 755	5 742
Du Plessis	5 255	467	12 043	962
Koch	42 274	3 988	53 613	5 803
Jonker-du Plessis	266	22	9 748	4 760
Swart	4 793	1 124	5 851	485
Pokwas	12 333	1 084	14 968	1 220
Nortje (terminated 6 May 2019)	22 956	2 169	24 908	2 119
Du Rand	10 080	752	12 628	1 040
Libazi	6 033	-	7 419	612
	138 570	38 498	186 207	25 991
Senior Managers-Section 57 Employees				
F Erasmus	-	-	4 253	1 701
H Schlebusch	15 198	1 222	19 406	1 292
D Du Plessis	17 268	1 415	17 614	1 374
CM Africa	12 937	1 070		
	45 403	3 706	41 273	4 367

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

59.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in [note 9](#) to the Annual Financial Statements.

59.3 Compensation of key management personnel

The compensation of key management personnel is set out in [note 32](#) to the Annual Financial Statements.

59.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

	2019 R	2018 R
	-	-
	-	-

60. FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

APPENDIX A
SWELLENDAM MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
ANNUITY LOANS								
STREETS - DBSA	8.08%	61003251	2021	92 111			30 704	61 407
UPGRADING OF ELECTRICAL NETWORK-DBSA	8.53%	61003274	2021	368 413			105 261	263 152
INFRASTRUCTURE- PHASE 2-DBSA	10.56%	61000149	2024	2 683 218			340 540	2 342 678
INFRASTRUCTURE- PHASE 3-DBSA	8.89%	61000371	2025	2 902 159			286 721	2 615 438
INFRASTRUCTURE-2007-DBSA	11.12%	61000744	2029	3 493 363			174 419	3 318 944
INFRASTRUCTURE-2008-DBSA	12.20%	61000846	2030	16 938 684	-	-	627 257	16 311 428
INFRASTRUCTURE -2015-ABSA	9.00%		2025	5 403 314	-	-	580 672	4 822 642
Total Annuity Loans				31 881 262	-	-	2 145 573	29 735 689
HIRE PURCHASE								
ABSA	8.00%		2021	1 452 206	-	-	442 882	1 009 324
Total Hire Purchases				1 452 206	-	-	442 882	1 009 324
LEASE LIABILITY								
CENTRAFIN	10.00%			1 684 334	-	-	493 267	1 191 067
Total Lease Liabilities				1 684 334	-	-	493 267	1 191 067
TOTAL EXTERNAL LOANS				35 017 802	-	-	3 081 722	31 936 081

APPENDIX B
SWELLENDAAM MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Governance and Administration			
(26 378 872)	28 994 128	2 615 256	Executive and council	(29 697 025)	18 625 936	(11 071 089)
(46 862 601)	30 415 232	(16 447 369)	Finance and administration	(49 766 022)	38 081 187	(11 684 835)
(126 239)	951 126	824 887	Internal audit	(132 804)	1 312 211	1 179 407
			Community and Public Safety			
(6 859 902)	11 189 697	4 329 795	Community and social services	(7 054 975)	12 374 577	5 319 602
(2 400)	7 433 948	7 431 548	Sport and recreation	(2 400)	8 483 205	8 480 805
(5 027 350)	6 587 387	1 560 037	Housing	(1 621 966)	3 334 940	1 712 974
			Economic and Environmental Services			
(898 105)	2 943 689	2 045 584	Planning and development	(1 177 693)	3 966 324	2 788 632
(58 358 965)	59 101 410	742 444	Road transport	(59 524 422)	67 427 021	7 902 599
			Trading Services			
(78 232 564)	63 300 105	(14 932 459)	Energy sources	(83 078 029)	67 878 105	(15 199 923)
(14 089 071)	12 016 057	(2 073 014)	Water management	(16 766 755)	12 228 953	(4 537 802)
(14 217 091)	15 546 729	1 329 639	Waste water management	(15 031 046)	16 275 107	1 244 061
(8 185 665)	6 131 148	(2 054 517)	Waste management	(8 623 331)	7 200 760	(1 422 572)
-	5 452 892	5 452 892	Other	-	1 213 482	1 213 482
(259 238 825)	250 063 548	(9 175 277)	Sub Total	(272 476 468)	258 401 808	(14 074 659)
12 990 404	(12 990 404)	-	Less Inter-Departmental Charges	12 628 613	(12 628 613)	-
(246 248 421)	237 073 144	(9 175 277)	Total	(259 847 855)	245 773 195	(14 074 659)

APPENDIX C
SWELLENDAM MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Municipal Manager			
(82 956)	3 054 611	2 971 655	Municipal Manager	(5 882)	3 774 153	3 768 270
-	12 530	12 530	Local Economic Development	-	10 920	10 920
-	288 889	288 889	IDP	-	300 777	300 777
(13 853)	34 930	21 077	Rented Buildings	(997)	35 075	34 078
-	810 200	810 200	Tourism	-	1 213 482	1 213 482
			Finance Services			
-	822 153	822 153	Budget and Treasury Office	-	562 285	562 285
(45 541 817)	16 330 466	(29 211 351)	Financial Services	(48 562 909)	18 822 573	(29 740 336)
(115 517)	547 559	432 042	Stores	(121 524)	576 727	455 203
(126 239)	951 126	824 887	Internal Audit	(132 804)	1 312 211	1 179 407
-	2 787 564	2 787 564	Human Resources	-	3 194 857	3 194 857
-	2 227 494	2 227 494	Information Technology	-	2 457 508	2 457 508
-	1 850 359	1 850 359	Supply Chain Management	-	2 022 367	2 022 367
			Corporate Services			
(627 626)	26 490	(601 136)	Building Control	(837 712)	19 012	(818 699)
(978 655)	4 023 910	3 045 255	Corporate Services	(857 591)	8 454 413	7 596 822
(26 295 916)	25 939 517	(356 399)	Council General	(29 691 142)	14 851 783	(14 839 359)
(780)	261 909	261 129	Commonage	-	282 714	282 714
(270 479)	2 615 780	2 345 301	Town Planning	(339 981)	3 635 616	3 295 635
			Community Services			
(1 233 211)	2 092 754	859 543	Caravan Park	(930 660)	2 008 904	1 078 244
(56 273)	102 591	46 318	Cemeteries	(63 585)	95 224	31 638
(237 013)	2 985 550	2 748 537	Community Services	(285 654)	3 462 909	3 177 255
(90 203)	789 697	699 494	Halls	(170 206)	995 500	825 294
(5 027 350)	6 587 387	1 560 037	Housing	(1 621 966)	3 334 940	1 712 974
-	-	-	Library	(5 007 800)	5 226 690	218 890
-	7 175 733	7 175 733	Parks	-	7 989 156	7 989 156
(5 773)	3 627	(2 146)	Pound	(13 819)	11 805	(2 014)
(8 185 665)	6 131 148	(2 054 517)	Refuse	(8 623 331)	7 200 760	(1 422 572)
(2 400)	258 215	255 815	Sports and Recreation	(2 400)	494 049	491 649
(45 249 146)	49 567 856	4 318 710	Traffic and Licensing	(45 758 909)	45 450 415	(308 494)
(565 494)	496 937	(68 557)	Thusong Multipurpose Center	(597 070)	585 350	(11 720)
			Engineers Services			
(78 184 326)	60 328 071	(17 856 255)	Electricity Network	(83 015 729)	64 880 437	(18 135 292)
(48 238)	2 972 034	2 923 796	Electricity Admin	(62 299)	2 997 668	2 935 369
(17 698 973)	6 353 050	(11 345 923)	Engineers Services	(13 700 035)	8 277 896	(5 422 140)
(198 857)	586 341	387 484	Irrigation Water	(178 803)	702 082	523 280
(50 000)	49 263	(737)	Main Roads	(46 268)	46 268	-
(211 978)	495 337	283 359	Office Buildings	(223 001)	780 472	557 471
(428 905)	7 304 460	6 875 555	Sewerage Purification	(439 496)	7 217 473	6 777 977
(13 759 778)	3 528 994	(10 230 784)	Sewerage Administration	(14 565 910)	4 389 452	(10 176 458)
(28 408)	4 713 276	4 684 867	Stormwater	(25 639)	4 668 182	4 642 542
-	1 645 041	1 645 041	Street Lights	-	1 770 804	1 770 804
(32 783)	10 847 433	10 814 650	Streets	(5 390)	11 869 833	11 864 443
(12 991 080)	4 672 725	(8 318 355)	Water Network	(15 742 921)	4 781 340	(10 961 581)
(483 576)	225 511	(258 065)	Water Dams	(460 926)	240 664	(220 262)
(415 558)	6 531 481	6 115 923	Water Purification	(384 105)	6 504 867	6 120 761
-	1 033 550	1 033 550	Workshop Fleet	-	778 333	778 333
(259 238 825)	250 063 548	(9 175 277)	Sub Total	(272 469 588)	258 287 944	(14 188 524)
12 990 404	(12 990 404)	-	Less Inter-Departmental Charges	12 628 613	(12 628 613)	-
(246 248 421)	237 073 144	(9 175 277)	Total	(259 840 975)	245 659 331	(14 188 524)

APPENDIX D
SWELLENDAM MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2018	Correction of Error	Restated Balance 30 June 2018	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
<u>National Government Grants</u>											
Equitable Share	-	-	-	29 001 000	-	-	29 001 000	-	-	-	-
Finance Management Grant	-	-	-	1 770 000	-	-	1 770 000	-	-	-	-
Municipal System Improvement Grant	-	-	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	1 911	-	1 911	11 786 000	-	-	649 695	11 114 438	23 778	23 778	-
Integrated National Electrification Grant	366	-	366	2 000 000	-	-	-	1 944 734	55 632	55 632	-
EPWP	-	-	-	1 266 000	-	-	1 266 000	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total National Government Grants	2 277	-	2 277	45 823 000	-	-	32 686 695	13 059 172	79 410	79 410	-
<u>Provincial Government Grants</u>											
Human Settlements Development Grant	4 923 509	-	4 923 509	2 462 372	-	-	1 621 966	-	5 763 915	5 763 915	-
Financial Management Support Grant	-	-	-	330 000	-	-	301 133	-	28 867	28 867	-
Social Plant Fund	8 847	-	8 847	-	-	-	-	-	8 847	8 847	-
Economic Development Plan	12 000	-	12 000	-	-	-	-	-	12 000	12 000	-
Multi Purpose Sentrum	12 810	-	12 810	-	-	-	-	-	12 810	12 810	-
Emergency Housing - Malagas	5 422	-	5 422	-	-	-	-	-	5 422	5 422	-
Municipal Replacement Fund	52 039	-	52 039	5 026 000	-	-	4 951 413	-	126 626	126 626	-
Internship grant	71 165	-	71 165	72 000	-	5 165	5 882	-	132 118	132 118	-
Main Road Subsidy	4 630	-	4 630	49 231	-	4 630	46 268	-	2 963	2 963	-
Capacity Building Grant	76 910	-	76 910	240 000	-	-	-	-	316 910	316 910	-
Seta	27 336	-	27 336	190 058	-	-	217 394	-	-	-	-
Service Delivery and Capacity Building Grant	-	-	-	750 000	-	-	-	290 456	459 544	459 544	-
Thusong Centre	-	-	-	110 000	-	-	28 573	-	81 427	81 427	-
	-	-	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	5 194 668	-	5 194 668	9 229 661	-	9 795	7 172 628	290 456	6 951 449	6 951 449	-
<u>District Municipality</u>											
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	-	-	-	-	-	-	-	-	-	-	-
<u>Other Grant Providers</u>											
Vegetable Project- Barrydale	81 723	-	81 723	-	-	-	-	-	81 723	81 723	-
MasabanbaneProjects	2 950	-	2 950	-	-	-	-	-	2 950	2 950	-
	-	-	-	-	-	-	-	-	-	-	-
Total Other Grant Providers	84 673	-	84 673	-	-	-	-	-	84 673	84 673	-
Total Grants	5 281 618	-	5 281 618	55 052 661	-	9 795	39 859 323	13 349 628	7 115 532	7 115 532	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.